



सत्यमेव जयते

ADMINISTRATIVE REFORMS COMMISSION

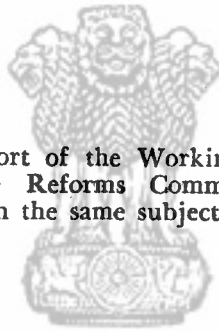
REPORT
OF THE
WORKING GROUP
ON
SMALL SCALE SECTOR

June, 1968

PRINTED BY THE MANAGER GOVERNMENT OF INDIA PRESS SIMLA
FOR THE MANAGER OF PUBLICATIONS CIVIL LINES DELHI
1969

Price: Inland Rs. 8.25 P.—Foreign 19sh. 3d. or 2 \$ 97 cents.

Important : This is a report of the Working Group appointed by the Administrative Reforms Commission. The report of the Commission on the same subject is a separate document.



सत्यमेव जयते

ADMINISTRATIVE REFORMS COMMISSION

WORKING GROUP

ON

SMALL SCALE SECTOR

Chairman

SHRI ARUN CHANDRA GUHA

Members

SHRI A. G. KULKARNI

DR. J. N. THADANI

DR. P. C. ALEXANDER

SHRI K. L. NANJAPPA

SHRI K. M. MIRANI

Secretary

SHRI D. D. BASU

ARUN CHANDRA GUHA

ADMINISTRATIVE REFORMS COMMISSION

Chairman

SARDAR PATEL BHAVAN

(Working Group on

PARLIAMENT STREET

Small Scale Sector)

NEW DELHI

July 6, 1968

Dear Shri Hanumanthaiya,

I have the pleasure to present the Report of the Working Group on Small Scale Sector. This Group was set up by the Administrative Reforms Commission on 31st July, 1967. The terms of reference were wide enough; so the Group have tried to cover different aspects of this important sector of our economy. The Small Scale Sector had been under study on different occasions by different bodies including the Estimates Committee of the Parliament, which submitted a three volume report in 1965-66.

The Group have tried to concentrate their attention mainly on the administrative aspect of the Small Scale Sector. Certain policy decisions have been made about the importance of the small scale industries both in the Industrial Policy Resolution of 1956 and in the different Plan Reports. But yet some of the fundamentals regarding the small scale industries have not been properly implemented. We have tried to bring about these points and have suggested some administrative measures so that the policy enunciated regarding this sector may be properly implemented.

I have to put on record my personal appreciation of the services rendered by the Members of the Group. I do not like to mention them individually. It has been a misfortune of the Group that they have not been able to get much help from Shri K. M. Mirani, I.A.S., on account of his pre-occupation with other works. He had to leave the Administrative Reforms Commission and the Group for some other assignment abroad.

I should personally put on record by appreciation of the service rendered by Shri D. D. Basu, Secretary to the Group. His knowledge on the subject and the devotion with which he has worked have been of great help for the Group.

The Members of the Group would be happy if the suggestions put forward in the Report are implemented and thereby the problems of the Small Scale Sector are satisfactorily solved.

Thanking you,

Yours sincerely,

(Sd.) A. C. GUHA

Shri K. Hanumanthaiya,
Chairman,
Administrative Reforms Commission,
New Delhi.



CONTENTS

CHAPTERS		PAGE
I	Introduction	1
II	Review of Small Industries Development	3
III	Industrial Policy	12
IV	(i) Role and Functions of the Organisation of the Development Commissioner, Small Scale Industries	18
	(ii) Role of State Governments and Coordination between the States and the Centre	18
V	Role of:	
	(A) National Small Industries Corporation	40
	(B) State Small Industries Corporations	44
	(C) Small Industries Extension Training Institute	48
VI	Adequacy of some important schemes for the development of Small Industries:	
	(A) Supply of Credit	56
	(B) Supply of Raw Materials to Small Scale Sector	75
	(C) Government Stores Purchase Programme	81
	(D) Development of Ancillaries in the Small Scale Sector	84
VII	Legislation	90
VIII	Acknowledgements	94
IX	Summary of Conclusions and Recommendations	96
APPENDICES		135

REPORT OF THE WORKING GROUP ON SMALL SCALE SECTOR SET UP BY THE ADMINISTRATIVE REFORMS COMMISSION

I. INTRODUCTION

1.1. The Administrative Reforms Commission had set up a Working Group on Small Scale Sector on 31-7-1967 with the following objectives in view:—

- (i) to examine the efficacy of the several steps taken by the Central and the State Governments for the encouragement of the Small Scale Sector;
- (ii) to suggest a clear demarcation of responsibilities between the Central Government and the State Governments so as to remove organisational bottlenecks;
- (iii) to indicate the proper role and functions of the Central Small Industries Organisation;
- (iv) to suggest an appropriate organisational pattern for providing the various inputs like finance, raw materials, etc. to the small scale sector; and
- (v) to examine the possibility of providing legislative protection to the small scale industry.

The Working Group was constituted as follows:—

1. Shri A. C. Guha, No. 6, Kotla Lane, New Delhi—*Chairman*.
2. Shri A. G. Kulkarni, M.P., 86, Shahjahan Road, New Delhi—*Member*.
3. Dr. J. N. Thadani, 43, Sundar Nagar, New Delhi—*Member*.
4. Dr. P. C. Alexander, Joint Secretary, Ministry of Commerce, Udyog Bhavan, New Delhi—*Member*.
5. Shri K. L. Nanjappa, Development Commissioner, (Small Scale Industries), Nirman Bhavan, New Delhi—*Member*.
6. Shri K. M. Mirani, Deputy Secretary, Administrative Reforms Commission, New Delhi—*Member*.

1.2. Shri D. D. Basu, Director of Economic Investigation, Office of the Development Commissioner, Small Scale Industries, New Delhi, acted as the Secretary of the Working Group. Shri K. M. Mirani could not serve as a member of the Group till the end, as he left for Manila on a U.N. job before completing the work of the Group.

1.3. The first meeting of the Working Group was held on 11-8-67 to discuss the terms of reference and also the procedure of business to be adopted by the Working Group. It was felt that the main thrust of the investigation and recommendations of the Working Group would energise the present machinery for the operation of the Small Industries Programme and make concrete suggestions for strengthening the administrative and institutional set-up concerned with various aspects of development of small scale industries. It was clarified that the idea in appointing the Working Group was to study the administrative tools and techniques for the development of small scale industries and the study of contents of particular programmes would be necessary only to see the efficacy or otherwise of the methods adopted. The consensus of opinion in the Group was that the problems were numerous and vast and that it was necessary to limit their attention primarily to organisational issues concerning the administration of the small industries development programme.

1.4. The Group agreed that the respective role of the National Small Industries Corporation and the Small Industries Extension Training Institute, Hyderabad, in the entire Small Industries Programme and their relationship with the Organisation of the Development Commissioner (Small Scale Industries) should be examined with a view to making such recommendations as would enable them to function effectively and make a more significant contribution to the development of small scale industries in the country.



II. REVIEW OF SMALL INDUSTRIES DEVELOPMENT

2.1. The programme of development of small scale industries has been accorded a high priority in the successive Five-Year Plans of India, both for economic and social reasons. Small scale industries have been accorded an important place in national planning efforts as they create immediate employment on a large scale at a relatively small capital cost, meet a substantial part of the increased demand for consumer goods and simple producers' goods, facilitate mobilisation of resources of capital and skill, which might otherwise remain inadequately utilised and bring about integration of these industries with the rural economy on the one hand and large scale industry on the other. The Industrial Policy Resolution of 1956 states—"They (small scale industries) provide immediate large scale employment; they offer a method of ensuring more equitable distribution of national income." The Resolution also refers to their avoiding some of the problems that unplanned urbanisation tends to create. With improvement in technique and organisation, those industries offer possibilities of growing into an efficient and progressive decentralised sector of the economy providing opportunities of work and income all over the country.

2.2. Before Independence small scale industries in India occupied an almost insignificant place in the national economy. There were very few modern small scale enterprises and the small industries sector consisted mostly of unorganised units including household units engaged in the manufacture of arts and crafts with the aid of simple hand tools. The Central Government started taking active interest in the development of small scale industries during the Second World War. In 1947 a Conference on Industrial Development was held. The Conference stressed the necessity of organised development in the field of small scale industries and in pursuance of its recommendations, the Cottage Industries Board was set as an advisory body.

2.3. The importance of small scale industries was also underlined in the Industrial Policy Resolution of the Government of India dated the 6th April, 1948. In view of the diversity of problems relating to the various groups in the small scale sector, the Cottage Industries Board recommended separate organisations at the Centre for the promotion of each such group of industries. Accordingly, five Boards were set up during the period 1952-53 for Handlooms, Handicrafts, Coir, Silk and Khadi and Village Industries.

2.4. During the First Five-Year Plan period, modern small scale industries had not yet emerged as a distinct component of the industrial sector and they were taken to include both traditional industries like handloom weaving, manufacture of utensils, etc., and industries which were using machines operated by power. The type of items produced by such small scale industries included leather shoes and various leather goods, packing boxes, brushes of all types and tin and steel boxes, locks, etc. The enterprises established during the

Second World War to meet essentially defence needs formed a nucleus of modern small industries and were assisted to take to new manufacturing lines after the War.

2.5. The development of the modern small industries sector which meant the rise of a system of production with the help of machines and power received an impetus from the recommendations of the first International Planning team which visited the country in 1953-54 through the courtesy of the Ford Foundation. The Team's major recommendations concerning the setting up of four Regional Institutes of Technology for small industries (Small Industries Service Institutes), a Marketing Service Corporation and a Small Industries Corporation (National Small Industries Corporation) were accepted by the Government in June 1954. It was considered advisable for the Central Government to assume responsibility for the planning and co-ordination of the basic programmes of development and with this end in view an all-India Board known as the Small Scale Industries Board was set up in November 1954 with the Union Minister of Industries as the Chairman for the over-all planning, co-ordination and development of small scale industries in the country. The Board comprise Central and State Government ministers and officials, representatives of the Reserve Bank of India, State Bank of India, State Financial Corporations, and of various organisation concerned with small scale industries plus a number of non-officials representing trade, industry and other interests. In order to carry out the programmes and policies of the Government of India for the development of small scale industries, a Central Organisation known as the Organisation of the Development Commissioner (Small Scale Industries) also came into existence simultaneously to function both as a co-ordinating and executive agency. One very important activity of this Organisation is to provide consultancy service both technical and managerial to small industries through its network of Small Industries Service Institutes, Branch Institutes and Extension Centres at the State level, to bring about continuous improvement in the productivity of small scale enterprises. The National Small Industries Corporation was set up by Government of India in 1955 with the object of supplying machinery and equipment to small enterprises on a hire-purchase basis and assisting them to execute Government orders for the supply of various items and stores.

2.6. It was with the re-formulation of the Industrial Policy Resolution of 1956 that a systematic programme was introduced for the sustained development of modern small scale industries. The policy recommended that such serious handicaps of small scale producers as lack of technical and financial assistance, unsuitable working accommodation and inadequacy of facilities for repair and maintenance should be removed progressively to increase the efficiency of the small industries sector as a whole. The Resolution, while recommending differential taxation and direct subsidy, puts its main stress on improving 'competitive strength of the small scale producers'. It also urges that the "technique of production should be constantly improved and modernised. The Second Plan recognised the importance of small scale sector for obtaining increased supply of consumer goods and reducing unemployment and stressed the importance of introducing schemes to enable the small scale industrialists to compete on level

terms with large scale units through a continuous improvement in productivity. In pursuance of this objective the Small Industries Assistance Programme was drawn up by the Government to offer such facilities as supply of machinery on hire-purchase, factory space in industrial estates, participation in Government Stores Purchase on a preferential basis, supply of liberalised credit, etc., in addition to measures for raising the technical and managerial level of small scale industries. The expenditure incurred in the Second Five-Year Plan on the development of small scale industries was Rs. 55.57 crores. During the Third Five-Year Plan, the objectives of the small scale industries development programme were (i) to improve the productivity of the worker and reduce production cost by placing relatively greater emphasis on positive forms of assistance, such as improvement of skill, supply of technical advice, better equipment and credit, etc.; (ii) to promote the growth of industries in rural areas and small towns and (iii) to promote the development of small scale industries as ancillaries to large industries. Two significant measures taken during the Third Plan period to give positive encouragement to the small scale sector to take up manufacture of complex and sophisticated industrial items were (a) the adoption of the phased production programme as well as the common production programme in engineering and non-engineering industries; and (b) reservation of certain items for development in the small scale sector. The outlay proposed for the Third Five-Year Plan was Rs. 113.96 crores. The total expenditure during the Third Plan was, however, only Rs. 88.85 crores.

2.7. It will not be an exaggeration to say that small industries sector in India has been transformed over the last 10 to 12 years from a sector dealing mainly with traditional industries operated with simple hand tools into a modern industries sector based on a system of production with the help of machines and power. The small scale sector is at present manufacturing a wide variety of consumer goods and also simple producer goods which are comparable in quality and more or less competitive in price with the products of the large scale sector. The capacity of the small scale sector for producing sophisticated goods has been amply demonstrated during the last two emergencies when small producers were able to pool their resources to manufacture precision parts, components and stores which were urgently needed to strengthen the defence effort of the country. The efficiency of the small scale sector can be easily seen from the fact that the small scale enterprises account for almost the entire production of items like clinical thermometers, bifurcated rivets, paper pins and clips, measuring (cotton) tapes, mechanical toys, spindle inserts, glass ampoules, plaster board, wood wool, pencil sharpeners, hair clippers, chalk crayons, artists's colours, etc. Their contribution is over 50 per cent in items like electric irons, wire netting and wire mesh, rolling shutters, gun metal bushes, shoe tacks, picking sticks, barbed wire, polythene tubing, machine, screws, upholstery coil springs, hair pins, shoe eyelets, stapling machines, ball bearing, fountain pens, spectacle frame, pressure cookers, metal clad switches, etc.

2.8. The development of small scale industries, particularly in metal products (except machinery), has been the most remarkable as they have accounted for nearly 60 per cent of the total factory pro-

duction. Also, in the field of non-engineering industries like chemicals, particularly paints and dyes, pesticides and plastics, the achievement of the small industries sector has been quite commendable. The sector is poised for notable advance in more sophisticated fields like electronics and electrical measuring instruments, thermo-plastics and manufacture of precision scientific instruments.

2.9. Small scale industries have also developed a number of items such as air filters, brake linings, gaskets, engine valves, oil seals, voltage regulators, emulsifiers, testing meters, audio oscillators, electrolytic condensers, timing relays, thermostats, etc. which were hitherto imported into the country. They have thus been able to make a significant contribution to conserve foreign exchange through import substitution.

2.10. It would be pertinent to mention that according to the Annual Survey of Industries carried out by the Central Statistical Organisation, the small scale registered factories contributed more than half of the total factory output in canning and preservation of fruits, confectionaries, distillation and rectification of spirit, cotton and woollen knit wares, garments, leather tanning and finishing, leather products, metal products and miscellaneous photographic and optical goods. The percentage share of the aforesaid small scale industries in the gross output of the total factor sector during 1960-63 is indicated below:—

Industry	Percentage share of Registered small scale factories in the total gross output of the entire factory sector
1. Canning & Preservation of fruits	65
2. Confectionaries	75
3. Distillation, Rectification of spirit	60
4. Cotton and Woollen knit wears	94
5. Garments and other wearing apparels	88
6. Leather tanning and finishing	57
7. Leather Products	77
8. Metal products (except machinery and transport equipment)	57
9. Miscellaneous photographic and optical goods	95

2.11. It will be worthwhile to give some key statistics of production, employment, etc. to help appreciate the achievements of the small scale industries in recent years. Small Scale enterprises belonging to both organised and unorganised sectors were estimated to have contributed Rs. 1,178 crores to the national income of the country as against Rs. 1,154 crores by the large scale industries in 1963-64. They also accounted for an estimated employment of 2.70 million workers out of a total industrial employment of 5.33 million in the same year. The above estimates, as already mentioned, include both the small scale units registered under the Factories Act and also the household units. However, taking only small scale units registered under the Factories Act, into account it may be mentioned that they were responsible for nearly 35% of the total factory employment and about

30% of the aggregate gross output of all registered factories in the country. Being relatively labour intensive, this sector is helping the solution of an important social problem—growing unemployment of the working force. The total number of small scale enterprises registered with the Directors of Industries up to the end of December 1967, stood at 1,20,000 but it is estimated that there are nearly 2,50,000 additional small scale units outside the household sector, which are yet to be registered with the State Directors of Industries.

2.12. It is also necessary to assess the performance of the small scale industries sector in relation to its contribution to the nation's economic growth. Up-to-date statistics relating to the entire small industries sector, including the organised and unorganised segments, are not available but a fairly good idea of the contribution of the different sectors, i.e. all, medium and large can be had from the following data based on the Annual Survey of Industries 1963.

Estimates of total employment investment and production in factories in 1963.

	Small*	Medium†	Large‡	Total
1. Number of factories	41,851	2,063	1,293	45,757
2. Persons employed (No. Millions)	1,462	0.658	1.996	4.116
3. Fixed capital (Rs. Crores)	257.3	231.7	2,672.2	3,161.2
4. Gross output (Rs. Crores)	1,681.2	949.5	3,125.1	5,755.8
5. Value added by manufacture (Rs. Crores)	303.0	217.1	929.2	1,449.3

*Factories owning fixed assets upto and including Rs. 5 lakhs.

†Factories owning fixed assets over Rs. 5 lakhs and including Rs. 25 lakhs.

‡Factories owning fixed assets over Rs. 25 lakhs.

(Source: Annual Survey of Industries, 1963).

2.13. It will be seen from the above table that the large scale sector which accounted for as much as 85% of the total fixed capital, contributed nearly 64% of the value added by manufacture and provided nearly 48% of the total employment. But the small scale sector accounted for 35% of the total factory employment and nearly 30% of the aggregate gross output with only 8% of the total fixed investment. Based on the Annual Survey of Industries carried out by the Central Statistical Organisation, the estimates of fixed investment gross output and net value added by manufacture by the small scale sector units which come under the purview of the Small Scale Industries Board for 1960—65 has been indicated below:—

Particulars regarding number of units, fixed investment, gross output and net value added by Small Scale Factories.

Year	Number of units	Fixed investment (Rs. in Crores)	Employment	Gross output	Net value added by manufacturers (Rs. in Crores)
1960 ..	29,902	128	817	635	169
1965 ..	26,753	207	979	1,216	253

2.14. It will be seen from the above figures that the small scale industries covered by the Small Scale Industries Assistance Programme recorded a growth of about 28% in respect of number of units during the period 1960—65. During the same period employment had increased by about 20%; the actual share of the small scale factory in 1965 in total employment was nearly 40%. The investment in fixed assets recorded an increase of 35% during the same period and the share of these small scale units in the total fixed investment of the industrial categories in question was about 9 per cent. The gross output of the small scale units showed an increase of about 91% during that period and the latter's share in the total factory output was a little over 29 per cent. There was also increase in the net value added by manufacturers to the extent of 50 per cent in 1965 over 1960, although the percentage share of the small scale units in the aggregate net value added by manufactures, both large scale and small scale, in the industries in question was about 22%.

2.15. The data given above clearly show that the small scale sector has certainly been growing in terms of absolute increase in the number of units, employment, etc. There has been a slight decrease in the percentage share of the small scale factories in the total production of the registered factories sector for the industries in question during 1960—65, but this decline has been largely due to factors or forces beyond the control of the small scale sector. One major handicap under which the small scale enterprises had to function during the period related to shortage of imported raw materials and scarce indigenous categories, which resulted in considerable under-utilisation of capacity. This has also been responsible for the under-utilisation of the Third Plan financial outlays, as only a little over 76% of the finance allotted was utilised.

2.16. Actual estimates of the contribution of small scale industries as defined for the purposes of the Assistance Programme to National income is not available as no survey has been carried out separately for this sector for purposes of estimation of national income. However, certain estimates have been worked out indirectly on the basis of data available from the Central Statistical Organisation to provide a reasonably good idea of the contribution made by all small scale factories coming under the Small Scale Industries Assistance Programme (including registered and non-registered units). These estimates have been given below:—

Contribution by Small Scale Enterprises to National Income

Small Enterprises coming under the Small Industries Assistance Programme						
Year					Growth Rate (%)	
	Regd. units under the Factories Act		Non-household units but not registered under the factories Act			Total
	(Figures in Rupees	in Crores				
1960-61	..	169		280	449	..
1965-66	..	253		380	673	41

2.17. the above estimates show that the average rate of increase in the contribution of small enterprises to the national income during the period of five years 1960-61 to 1965-66 was 8 per cent per annum, which is quite significant.

2.18. The foregoing analysis clearly brings out the impressive growth achieved by the small scale sector of the industries coming under the Small Scale Industries Board. They also indicate the vast untapped potential for growth which can be realised in future year. It will be extremely appropriate in this connection to quote the observations of the second International Planning Team which is still applicable to the situation prevailing in the small scale sector today—"Small factories, even excluding units not registered under the Factories Act, contribute a surprisingly large share of India's manufacturing output today." Their share of the output of different industries shows that small plants have established a broad base of operation in important modern producer goods, particularly in metal products (except machinery and transport equipment. Starting from a small base, they have grown rapidly showing significant relative rates of growth, although in absolute terms their contribution to national income has not gone up substantially.

Budget Allocation for Small Industry Development

2.19. The conclusion which can be legitimately drawn from the foregoing analysis is that larger allocations of resources to the small scale sector would have resulted in substantially increased employment opportunities and national income and also led to more balanced industrial growth. But it appears that over the last two plan periods there has been steadily declining allocation of resources for the development of small scale industries, particularly at the State level. It will also be seen from the note prepared by the Planning Commission entitled "Priority Accorded to Village and Small Industries in the State Plans" (please see Appendix I) that funds earmarked by the Centre under specific small scale industries schemes has been diverted by the States for other purposes. The diversion of funds generally takes the form of shortfalls in the small industries sector for one reason or another, the unutilised funds being deployed elsewhere. However, the main reason for the shortfall leading to diversion of funds for other purposes appears to be the according of lower priority to village and small industries programmes vis-a-vis other plan programmes of the State Governments. It will be pertinent to mention that in the Third Plan period, while in other sectors like education, health, agriculture, transport, power, etc., the approved Third Plan outlays were considerably exceeded, in the small scale sector there was a shortfall of about 27%.

2.20. The continuing decline in the share of the small scale sector in the State Plan allocations over the successive Plan periods will be evident from the figures of expenditure incurred on them as percentage to the total expenditure on all programmes in the State Plans. The Note of the Planning Commission referred to earlier clearly reveals that the percentage of expenditure incurred on Village and Small Industries decreased from 3.9% in the Second Plan to 2.4% in the Third Plan. In terms of annual percentages, the figures have

declined from 2.9% in 1961-62 to 2.1% in 1965-66. In the first two years of the post Third Plan period, the decline has been even larger as the corresponding percentage is around 1.6% only.

2.21. The Group cannot but view with dissatisfaction the practice of the States to utilise the allocation for small scale and village industries for other purposes through diversion of funds. To the extent that funds allocated for small scale industries programmes are diverted to other uses, there is bound to be slowing down of progress in the sphere of small scale industries.

2.22. The Group are firmly of the opinion that in view of the definite and distinct role assigned to the small scale sector in the industrial development of the country and the contribution of the sector to the growth of industrial production and employment opportunities on a substantial scale, allocations earmarked for small scale industries should not be utilised by States for other purposes. Even if any diversion becomes unavoidable, such diversion of funds should not be effected except with the prior approval of the Centre.

2.23. Apart from the unhealthy practice of diversion of funds from the small industries sector referred to above, the diminishing share of the small scale sector in the State Plan allocations indicates a tendency to regard the small scale industries as a non-priority sector, but the Group are convinced that this tendency would lead to a dilution of the social and economic objectives of planning as mentioned earlier, including creation of quicker and substantial employment opportunities at relatively small capital cost, reducing disparities of income and ensuring an equitable distribution of national income, mobilisation and utilisation of local resources of capital and skill, stimulation of local entrepreneurship and promotion of integrated agro-industrial development, etc. The Group, therefore, consider it very necessary for all State Governments to give high priority to the small scale industries sector in the State Plans.

2.24. The Group feel that the tendency on the part of a large number of States to allocate a diminishing proportion of the State Plan outlay to the small scale industries sector has been partly due to the availability of Central assistance to different States in the form of loans and grants on a widely differing basis. It will be worthwhile to quote from the Estimates Committee Report of 1965-66 on the Organisation of the Development Commissioner (Small Scale Industries) regarding allocation of Central Assistance which states as follows:—

“The Committee note that, during the Third Five Year Plan period, the progress of expenditure on the small scale industries programmes in the different States has been determined very largely by the quantum of Central assistance in the form of loans and grants, sanctioned to a State. For instance, in Mysore and Rajasthan where the percentage of Central assistance to the Plan outlay is relatively low (31.08 per cent and 37.2 per cent respectively), the percentage of shortfall in Plan expenditure is very high (63.82 per cent and 58.61 per cent). On the other hand, in Madras, which has received Central assistance to the extent of 89.71 per cent of its Plan outlay, there is not only no shortfall, but the actual expenditure is likely to exceed the Plan target by about 18.1 per cent.”

It would appear from the figures of Central Assistance to States (loans and grants) during the Third Plan period, given at Appendix II. that flow of Central assistance to States has varied widely leading to great disparities in the levels of actual expenditure for the actual development of small scale industries among the various States. But the Group feel that to reduce the existing disparities in the levels of industrial development between States, the proportion of Central assistance should be higher in the case of less developed States. Similarly, the division of Central assistance into grants and loans should give due weightage to the less developed States, so that the allocation of grant is higher in their case as compared to the more advanced States.



III. INDUSTRIAL POLICY

Industrial Policy Resolution 1956

3.1. The Industrial Policy Resolution of 1956 is the document laying down directive principles of State Policy regarding development of industries—large, medium and small. It may be mentioned in this connection that the Policy Resolution does not deal with the small industries sector separately but refer to the cottage and village and small industries as a combined category. It will be worthwhile to quote the extracts from the Industrial Policy Resolution, which have a bearing on the planning and development of small scale industries. The relevant paragraphs are given below:—

“The Government of India would stress the role of cottage and village and small scale industries in the development of the national economy. In relation to some of the problems that need urgent solutions, they offer some distinct advantages. They provide immediate large scale employment; they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilisation of resources of capital and skill which might otherwise remain unutilised. Some of the problems that unplanned urbanisation tends to create will be avoided by the establishment of small centres of industrial production all over the country.” (Para 13).

“The State has been following a policy of supporting cottage and village and small scale industries by restricting the volume of production in the large scale sector, by differential taxation, or by direct subsidies. While such measures will continue to be taken, whenever necessary, the aim of the State policy will be to ensure that the decentralised sector acquires sufficient vitality to be self-supporting and its development is integrated with that of large scale industry. The State, will, therefore, concentrate on measures designed to improve the competitive strength of the small scale producer. For this it is essential that the technique of production should be constantly improved and modernised, the pace of transformation being regulated so as to avoid, as far as possible, technological unemployment. Lack of technical and financial assistance, of suitable working accommodation and inadequacy of facilities for repair and maintenance are among the serious handicaps of small scale producers. A start has been made with the establishment of industrial estates and rural community workshops to make good these deficiencies. The extension of rural electrification and the availability of power at prices which the workers can afford will also be of considerable help. Many of the activities relating to small scale production will be greatly helped by the organisation of

industrial co-operatives. Such co-operatives should be encouraged in every way and the State should give constant attention to the development of cottage and village and small scale industry." (Para 14).

Implementation of Policy

(a) Differential Taxation, Subsidy, etc.

3.2. It would be useful to discuss the extent to which the recommendations regarding restrictions on the volume of production in the large scale sector and adopting of fiscal measures such as differential taxation and direct subsidies have been implemented in practice. As regards differential taxation and subsidies, it may be said that the grant of subsidies has been restricted generally to traditional industries like handicrafts, handlooms, etc. and not to small scale industries using machine and power. In the matter of levy of excise duty, there has been some differentiation based on scale of production, number of workers employed, quality of the production, size or dimension of the product, etc. but the rate structure is not specifically designed to favour small scale industries. For instance, the exemption of excise duty on low-cost radios priced below Rs. 165 favours the buyer in lower income groups but not necessarily the small manufacturers, as both large and small scale units are undertaking the production of low-cost radios. It may be added that new large scale units have to utilise 75% of their installed capacity for the production of such low-cost radios. It may be further mentioned that on table, cabin, pedestal and carriage fans not exceeding 22.5 cms., there is no excise levy, but on ceiling fans not exceeding 40.6 cms. the excise duty is Rs. 7.5 per fan plus 20% special excise. In the case of soap manufacture, there is complete exemption from the excise duty in regard to units not using power or steam in its processes. This exemption benefits village soap industries but does not favour small scale units which may be using power or steam to achieve higher productivity. As stated earlier, the levy of excise duty has tended to favour units of smaller size in a number of cases, but it cannot be said that there has been any conscious attempt to use differential rates of excise levy to encourage the growth of small scale industries as such. Where lower rates of levy have been linked to size or dimension or price of the product, the benefit has been derived by both large scale and small scale producers in proportion to their contribution to the total manufacture of these products. (A note on the levy of excise duty on several manufactured goods is given at Appendix III).

Restriction on Volume of Production in Large Scale Sector

3.3. In pursuance of the statement in the Industrial Policy Resolution to restrict the volume of production in the large scale sector in order to develop the small scale sector, the principle of demarcation of spheres of production between the large scale and small scale sectors was adopted in the Second Five Year Plan. The Plan also stated that for building up of a decentralized sector within the limits of technical possibilities, demarcation of spheres of production could be of material assistance to small units which were either competitive with large units in the manufacture of particular articles or could be

integrated with large units in terms of stages of production or manufacture of ancillary parts. It was also suggested that the policy of non-expansion of capacity of large scale industries, should be given effect to, subject to the condition that production in small units could be organised effectively to take advantage of the larger market and to avoid shortage of goods. In applying the policy, the need for review from time to time in the light of changing economic conditions was stressed in the Plan. It was, however, emphasised that such devices as non-expansion of capacity of large scale industries and demarcation of spheres of production between the large scale and small scale sectors were only measures to afford time and opportunity to the small scale sector to gain the necessary strength to develop on its own and represented only a part of the totality of the action to be taken for the sustained development of small scale industries.

Demarcation of spheres of Production of Small and Large Scale Sectors

3.4. During the First and Second Plans, spheres of production of small scale and large units were demarcated in the case of some industries such as cotton textiles and agricultural implements. In a few other industries such as bicycles, sewing machines and storage batteries, separate targets of production were laid down for the large scale and small scale sectors after estimating the requirements of the country. But despite the emphasis laid down on this common production programme in the First and Second Five Year Plans and the importance given to it in the Industrial Policy Resolution, the progress achieved in this regard has been negligible. In respect of three items, namely, storage batteries, bicycles and sewing machines, there was some increase in production in both the large scale and small scale sectors, but it cannot be said that the progress had been satisfactory.

3.5. The Third Five-Year Plan while emphasising the need of closer integration between small scale and large scale sectors, suggested that "in each branch of industry, with a view to planned development, it is essential to take a comprehensive view of the requirements of the community contribution that small scale industries can make in relation to large scale industries and the extent to which processes and stages of production could be decentralised".

3.6. In pursuance of this line of thinking fifteen specific industries were selected for being considered for the formulation of common production programmes, but in actual fact the matter was not pursued to its logical conclusion, so as to lay down targets of production for industrial units in the large scale and small scale sectors of these industries. Therefore, the intention of the framers of the Industrial Policy Resolution to provide a degree of preference or assurance of market to the small scale industries through demarcation of spheres of production for the large scale and small scale sectors was not realised in practice.

3.7. The objective of promoting integration of the small scale and large scale industries sectors was further sought to be achieved through the development of ancillary relationship between the

large scale and small scale units. The Second Five Year Plan while emphasising the development of small scale and ancillary units mentioned that this required close co-ordination between large scale and small scale sectors. One important condition for the success of ancillaries as envisaged by the Second Five-Year Plan was that the purchase of articles and parts from the small scale industries would be specifically provided for while planning the production programmes of large units. But despite Government's declared policy to encourage establishment of small scale units as ancillaries to large undertaking, very little progress was achieved.

3.8. In the Third Five-Year Plan also particular stress was laid on securing closer integration between small scale and large scale units over a wide range of industries and development of small scale enterprises as ancillary units in these fields but, as observed by the Estimates Committee (1965-66) vide para 41, pages 51-52 of the 106th Report of the Committee, beyond reiterating the need for developing ancillaries in the successive Five Year Plans, no serious effort appears to have been made to implement the idea or even to formulate a realistic policy aimed at producing concrete results. The pattern of industrial verticalisation in large firms, both in public and private sectors—which is a barrier to the emergence of small scale ancillary units—continues to baffle the attempts to create a strong and vigorous ancillary sector. It would, therefore, seem that by and large the programmes to achieve integration had failed.

Reservation of items for Exclusive Development in the Small Scale Sector

3.9. In the Draft Outline of the Fourth Five-Year Plan, it was clearly stated, in view of the experience gained in the working of the Common Production Programmes, that those programmes by themselves did not and could not provide adequate operational basis for the development of the small industries sector as a whole. It was, therefore, mentioned that for building a strong and decentralised sector in modern industries, both structurally and locationally, adoption of a firm and clear approach was necessary. In India's economic conditions, it was suggested that apart from positive measures of assistance to increase productivity of the small scale sector, exclusion of large scale operation, whether in the private or in the public sector, from such fields or areas of production where a high degree of mechanisation did not confer any decisive advantage, was urgently called for.

3.10. In pursuance of this line of thinking nearly 50 items were selected and reserved for exclusive development in the small scale sector. However, the effect of reservation of items for development in the small scale sector has been largely nullified by the progressive delicensing of industries and the general stipulation that large scale undertakings in scheduled industries with capital investment in land, plant and machinery not exceeding Rs. 25 lakhs would be exempted from the licensing provisions of the Industries (Development and Regulation) Act. In furtherance of the Government policy that controls should be liberalised, 11 industries were granted

exemption from the licensing provisions of the Act, on 9th May, 1966, 2 more on 20th July, 1966, followed by 29 more on 14th November, 1966. Very recently, i.e. on 7th February, 1968, one more industry was granted similar exemption. Although it has been stipulated that the exemption would not be applicable to industrial units of certain types to safeguard the interests of small and village industries, this does not really benefit small scale industries, as the excluded industries, viz. coal, powerloom, roller flour milling, oil seed crushing, vanaspathi, leather and matches are largely outside the scope of the small industries development programme.

3.11. The Group strongly feel that while there has been awareness of the need for strengthening the small scale sector by reserving areas of production where large scale operations are not considered to be of any distinct advantage, a number of actions have been initiated by the Government of India to exempt more and more industries from the operation of the Industries (Development and Regulation) Act, so as to encourage the development of large and medium undertakings in such industries in a free and unfettered manner. These two lines of action have posed a contradiction in thinking and planning and resulted in a lot of uncertainty being introduced in the policy for the development of small scale industries.

3.12. The Group are definitely of the view that there is an urgent need for clearly defining the national policy for the development of small scale industries. The specific clauses in the Industrial Policy Resolution 1956 concerning small scale industries have not led to clear and concrete action and the reference to the combined category of cottage, village and small scale industries in the Policy Resolution has created difficulties about the implementation of the Policy in regard to the modern small scale industries as the requirements of such industries and those of village and cottage industries have undergone changes and are substantially different at present.

Basic Principles for a New Small Industry Policy

3.13. The Industrial Policy for the development of small scale industries should clearly affirm the priority nature of industries in the small scale sector in view of its potential for creating employment opportunities, stimulating entrepreneurship in middle and lower middle classes of society and bringing about a more equitable distribution of income and wealth. It is of the utmost importance to ensure healthy growth of the small scale sector, not only to accelerate the industrial and economic progress of the country, but also to provide a broader and economically and socially more justifiable industrial base.

3.14. Allocations of resources for the development of small scale industries should be based on the assessed requirements of this priority sector and should generally be proportional to its contribution to the total industrial production and employment in the country.

3.15. Apart from the positive measures to increase the productivity of small scale industries it will be necessary on the part of the Government to identify and earmark specific areas or fields of

production and processes for exclusive production in the small scale sector, based on the proved competence of small enterprises to undertake the production in the designated fields.

3.16. The Group feel that if delicensing of industries is considered desirable from the point of view of general industrial development of the country, such delicensing under the Industries (Development and Regulation) Act should not be undertaken without carefully considering its impact on the development of small scale industries; and all such industries or fields of production as are technically and economically feasible within the limits of fixed investment for the small scale sector, should be excluded from the delicensing programme to prevent new large scale undertakings from coming up in an unrestricted manner in these fields.

3.17. Priority of consideration should be given to the modernisation of the small industries sector by supplying the needed equipment and machinery on an instalment credit basis; also necessary steps should be taken by Government to ensure the supply of scarce raw materials to the small scale enterprises on an equitable basis and to meet the credit requirements of different types through appropriate institutional arrangements.

3.18. In view of the need for a healthy and co-ordinated growth of the large scale and small scale industries sector, the development of large scale undertakings should be planned with due regard to the development of small scale sector in the same industries. In licensing large scale undertakings the needs and capabilities of the small scale sector should be fully kept in view; licences to large units may be granted only after excluding facilities for manufacture of parts, components and sub-assemblies which can be competently produced by small scale enterprises in the country.

3.19. Large scale producers of technical raw materials and intermediates like aluminium sheets and circles, wires, basic plastic materials, etc. should not be allowed to produce the end-products such as aluminium utensils, wire products, plastic goods, etc. which should be generally left to the small scale sector, subject to techno-economic feasibility.

3.20. State Governments who are primarily responsible for the development of small scale industries and implementation of various specific small industry programmes should ensure compliance that the national policy and objectives relating to the development of small scale industries and take timely corrective action to prevent short-falls or deviation from planned targets or approved programmes.

3.21. The promotion and development of small industries on a dispersed basis is an important objective of developmental policy but small industries by themselves cannot be expected to initiate the process of industrial dispersal beyond the metropolitan areas. As such, comprehensive development schemes should be initiated on an integrated basis in selected areas and centres to provide infrastructure and related facilities together with critical inputs for the sustained development of small scale and other industries in semi-urban centres which can serve as the focal points of agro-industrial development.

IV. ROLE AND FUNCTIONS OF THE ORGANISATION OF THE DEVELOPMENT COMMISSIONER (SMALL SCALE INDUSTRIES) AND COORDINATION BETWEEN THE STATES AND THE CENTRE.

4.1. The Industrial Policy Resolution of 1956 had underlined the need for a small industries development programme to ensure that the small scale sector could acquire sufficient vitality to be self-sustaining. For this purpose, it was considered essential that the techniques of production of small scale enterprises should be constantly improved and modernised and that such serious handicaps of small scale producers as lack of technical and financial assistance, inadequacy of facilities for tooling and testing, unsuitable working accommodation, etc. should be removed progressively to increase the efficiency of the small scale sector as a whole.

4.2. To fulfil these basic objectives and on the strength of the recommendation of the International Team of the Ford Foundation on Small Scale Industries in India, an Organisation headed by the Development Commissioner (Small Scale Industries) was established in Delhi by the Government of India in 1954 with four Regional Institutes in four metropolitan cities of Calcutta, Delhi, Bombay and Madras. This Organisation was subsequently expanded from December, 1958 and one Small Industries Service Institute was established in each State, including one in Delhi. Presently there are 16 Small Industries Service Institutes, 5 Branch Institutes and 65 Extension Centres and Production-cum-Training Centres at various places of concentration of small industries in the States. The list of Extension Centres and Training-cum-Production Centres is given at Appendix IV.

4.3. The main functions of the Organisation of the Development Commissioner (Small Scale Industries) are as follows :—

- (i) Industrial Extension Service
- (ii) Co-ordination
- (iii) Small Industry Planning and Development.

The Industrial Extension Service run by the Organisation of the Development Commissioner (Small Scale Industries) forms the core of the Small Industries Development Programme administered by the Organisation. The provision of the extension service is done through a network of field organisations consisting of Small Industries Service Institutes, Extension Centres, Production-cum-Training Centres, Common facility Centres, etc. As mentioned earlier, the total number of technical officers of various grades and trades sanctioned for the entire Organisation can be seen at Appendix V. An Organisation Chart is also attached to show the distribution of the technical staff to the DCSSIO between the headquarters and the various Small Industries Service Institutes and Branch Institutes (Appendix VI).

4.4. The important ingredients of the Industrial Extension Service are the following:—

(i) *Technical Advisory Service*

The Technical Officers of the Institutes and Extension Centres give advice to the small industrialists on the proper techniques of production, use of raw materials, plant lay-out, selection of machinery and equipment and quality control. They also help in resolving operational problems and defects in the working of the machinery of small plant owners and also give advice regarding mechanisation of processes of manufacture and adoption of new items for production to help small units diversify their production lines. A noteworthy feature of this service is that the Technical Officers are continuously on the move visiting workshops and factories in their areas and giving technical assistance and guidance on the spot. The experts also advise people on scales of operation, sizes of plant and choice of techniques for setting up new units.

(ii) *Workshop and Laboratory Facilities*

The Institutes have certain well equipped workshops with modern machines for demonstrating improved workshop practices. They are supposed to serve the need for disseminating knowledge of new methods, new machines and new techniques. Another important service rendered by the workshop is to provide common service facilities and tooling facilities, although to a limited extent.

(iii) *Preparation of Designs and Drawings of Machines and for Finished Products*

The Design Cell set up for this purpose which is located in the Small Industries Service Institute, New Delhi, prepares improved product designs by studying the consumer demand, function values, aesthetic appeal and manufacturing capacity of the small producers.

(iv) *Managerial and Technical Training*

Short-term training courses are organised by the Small Industries Service Institutes, covering important fields of industrial management to build up entrepreneurship and management ability for the further growth of small scale industries. Managerial training is imparted to small industrialists and/or their supervisory personnel. Apart from management training, regular and ad hoc training courses in various technical trades are conducted by SISIs and Extension Centres for artisans and supervisors, etc. to improve their existing skill and broaden their areas of competence. These courses include Process Orientation Course, Product Orientation Course, Blue Print Reading Course, etc.

(v) *Management Consultancy Service*

The Small Industries Service Institutes offer management consultancy service to small entrepreneurs. The service aims at guiding and assisting small plant owners on various management and technical problems encountered by them, after an over-all assessment of the working of their enterprises. This function is intended to support the technical assistance activities of the organisation through in-plant consultancy.

(vi) *Conduct of Industrial Surveys in Selected Industries and Areas and Provision of Economic Information*

The Organisation of the Development Commissioner (Small Scale Industries) through its various Institutes conducts surveys in specific industries to assess their scope of development. The Area Potential Surveys are conducted to determine the industrial growth potential of selected areas and to prepare industrial development programme for such areas. Survey assistance is also given to the State Bank of India to facilitate the flow of credit to small scale industries under their liberalised scheme of giving financial assistance to small scale enterprises.

The Organisation also undertakes market research to assist small scale units to promote sales of their products and also to identify the product lines which have sound marketing prospects for new small scale units.

(vii) *Preparation of Technical Plant Guides, Model Schemes, etc.*

The Organisation of the Development Commissioner (Small Scale Industries) also brings out Technical Bulletins, Technical Plant Guides, Feasibility Studies, etc. to provide essential technical and economic information regarding input requirements, scale of operation, sizes of plant and general profitability of selected products lines to help the prospective entrepreneurs in making their investment decisions.

4.5. It will be seen from the above that the major aim of setting up of the Organisation of the Development Commissioner (Small Scale Industries) is to give direct technical advice and assistance to small scale units so as to increase their technical and managerial competence to enable them to compete with large scale units through a continuous improvement in their productivity.

4.6. But the technical advisory service being rendered by the Small Industries Service Institutes and Extension Centres at present has become outmoded and the technical expertise available with the Organisation is considered quite inadequate to deal with the emerging problems and the changing need pattern of the small scale sector. The Group would like to emphasise that when the Organisation was first established, the pattern of technical assistance to be rendered by the Organisation was determined with due regard to the industrial pattern prevailing then. The staff recruited and the machinery and equipment purchased for the Extension

Centres were adjusted to meet the requirements of the small scale industries at that time. The Group regret to note that over the years the cadre of technical experts has been weakened on account of frequent loss of experienced and qualified experts due to lack of prospects. Many experts with long experience in extension work left the Organisation in quest of better prospects and the resultant vacancies had to be filled with junior and comparatively inexperienced staff, as experienced people were not attracted by the scales of pay attached to the posts. This has been very unfortunate in view of the steady increase in the level of technology of the small scale sector as a whole and orientation of the new small scale units towards manufacture of sophisticated and precision products.

4.7. The number of experts in the Development Commissioner's Organisation has also suffered reduction in recent years because of administrative reasons which were beyond the control of the Organisation. It may be mentioned that 20 posts of Assistant Directors and at least one post of Deputy Director lapsed in 1966 as they had been lying vacant for a period of six months or more. The main reason for the posts remaining vacant was the difficulty faced by the Union Public Service Commission in recruiting candidates in time. This difficulty was in part due to the lower salary which proved unattractive to the prospective candidates. But the net result has been a reduction in the strength of experts available to the DCSSIO for running the industrial extension service. It has thus been practically impossible to increase the coverage of the units brought under the Assistance Programme.

Reorientation of Technical Advisory Service

4.8. It has already been mentioned that the new orientation of small scale units to sophisticated lines of production like electronics, electrical measuring instruments, thermo-plastics, plastics and other petro-chemical based products have substantially altered the nature of technical advisory service required by modern small scale units. But the expertise available with the Development Commissioner's Organisation is proving utterly inadequate to meet the growing and changing requirements of the small scale industries sector for technical advice and guidance. It should be mentioned in this connection that there will be tremendous increase in the country by 1970-71, in the production of major plastic raw materials, such as P.F. Moulding Powder, Urea Formaldehyde Moulding Powder, Polyester Resins, Polystyrene, PVC Resins and Compounds, Low Density Polythene, High Density Polythene, Cellulose Acetate Moulding Powders. In addition to the basic raw materials mentioned above, technical materials like Methyl Methacrylate, Epoxy Resins, other Urea Resins, Nylon, which are being imported at present will also be available indigenously by 1970-71. The tremendous scope for expansion of the plastic conversion industry can be gauged from the increase in the supply of plastic raw materials, as indicated above. Indigenous plastic processing capacity will have to be increased several times so as to cope with the demand for plastic products including both household items and industrial items by 1970-71. It should be mentioned that even at present there are about two thousand registered units in the small scale sector

with a processing capacity of about 30,000 tonnes. They account for about 50% of the total production of plastic goods in the country. This coupled with the fact that a number of plastic conversion items, as detailed below, has been reserved for exclusive development in the small scale sector lends special urgency to the proper planning and development of the small scale sector of the plastic Conversion Industry.

Plastic Processed Products Reserved for the Small Scale Sector

- (i) Bottle caps, buttons, lamp-shades etc. produced by the compression moulding technique.
- (ii) Polythelene films with a thickness of less than 0.1 mm. and products from the film such as bags, etc. (excluding heavy duty bags and multi-coloured printed film and bags).
- (iii) Plastic articles manufactured from plastic sheets, rods or tubes by the fabrication technique excluding the technique of vacuum forming.
- (iv) Blow-moulded containers and other similar products manufactured by the blow-moulding technique (except for captive use and change over existing units manufacturing metal containers to plastic containers).
- (v) Spectacle frames from sheets by fabrication technique or by injection moulding.
- (vi) Manufacture of polyster sheets for buttons and the processing of the sheets so produced to manufacture buttons.

4.9. The massive agricultural programme in the Fourth Plan period will require huge quantities of formulations of pesticides, insecticides, etc. including several new formulations particularly suitable for local crops. In the case of one pesticide, i.e. B.H.C., the estimated requirement of capacity in the small scale sector is 12,000 tonnes. Some of the pesticides will have to be made under controlled conditions and will, therefore, require intensive technical assistance from the DCSSIO.

4.10. The other growth industries which are of very great importance to the economic development of the country in general and to the small scale industries in particular are the electrical equipment and measuring instrument and electronic industries. There will be excellent scope for expansion of small scale enterprises for the manufacture of fractional horse power motors, integral horse power motors upto the range of 10 H.P. Distribution type transformers (upto the range of 150 KVA), manufacture of VIR, PVC and other cables, switch gear and control gear (upto 11 KV), along with motor starters. It has been estimated that by the end of the Fourth Plan the demand for electric motors will be of the order of 4.6 million H.P., out of which sizeable percentage will be in the field of fractional horse power and integral horse power motors upto the range of 10 HP, which can be successfully and competently manufactured in the small scale sector. It has been

further estimated that by the end of the Fourth Plan period the demand for power and distribution transformers will be more than trebling itself offering substantial scope for creation of capacity for distribution type transformers in the small scale sector. The present production is 5.01 million KVA for both power and distribution type transformers as against an estimated demand of 16.5 million KVA by the end of the Fourth Plan period. As regards VIR, PVC and other cables, the demand for the items by the end of the Fourth Plan has been estimated at 1,400 million core yards. Since the production in the large and small scale sectors at present hardly exceeds 490 million core yards, there is scope for creation of substantial capacity for this item in the small scale sector. In addition items like domestic electrical appliances (which have been reserved for the small scale sector), electrical measuring instruments, for which the demand is likely to increase by 200 per cent at least by the end of the Fourth Five-Year Plan would offer substantial scope for the expansion of the small industries sector.

4.11. In the field of electrical components there are at present about 100 small scale units manufacturing capacitors, resistors, transformers, potentiometers, connectors, loud-speakers, etc. Also small scale units have successfully manufactured instruments like Oscilloscope, PH Meter, Transistor Tester, Multi-Meters, etc. In the field of electronics, the small scale sector has so far played a subsidiary role; but there is no doubt that, based on their experience in manufacturing electrical components, the small scale enterprises will be able to make a rapid progress in the development of electronics. It has been estimated by the Bhabha Committee that the country will require electronic equipment worth about Rs. 300 crores per annum by the end of 1971 as against the present production of the order of Rs. 28.5 crores. There will thus be very great scope for small scale manufacturers to make accessories and sub-assemblies for the sophisticated types of electronic equipment. It should be mentioned that the demand for electronic components in the country is estimated to increase from Rs. 4 crores only at present to about Rs. 84 crores by 1975. Further, a decision has been taken to create additional capacity of 1.2 million receiver sets per annum in the small scale sector as against a total additional capacity of 2.4 million sets per annum in the whole country by the end of 1970-71. Similarly, in the field of manufacture of television sets, nearly a third of the capacity has been earmarked to two consortia of small scale industries and further creation of capacity in the small scale sector will be taken up for consideration in the light of the experience gained by small scale units in the manufacture of TV sets.

4.11. (a) From the estimates and figures given above, it will be clear that there is an urgent need of overall planning for the development of electronics and electrical equipment and measuring instrument industries in the small scale sector and for rendering intensive technical assistance and guidance to small industrialists who have the inherent capability of successfully operating the scheme for the manufacture of such equipment and components.

4.11. (b) The Group strongly feel that there is an imperative need to strengthen the Organisation of the Development Commissioner by the addition of top level experts in regard to the progressive industries like thermo-plastics, electrical equipment and measuring instruments, electronics, scientific and precision instruments industry, etc.

4.12. It has to be mentioned that the majority of the State Governments are almost entirely dependent on the help provided by the Central Small Industries Organisation through the Small Industries Service Institutes in rendering technical assistance to small scale industries. Although a number of State Governments have set up their own technical wings, they are totally deficient in expertise in sophisticated fields like electronics, thermo-plastics, etc. But it has not been possible for some other States even to make the small beginning. Therefore, the main brunt of supplying advanced technical assistance has to be taken up by the CSIO. But, if the Organisation of the Development Commissioner (Small Scale Industries) is to strengthen itself by the addition of high level experts, particularly in new growth industries, it has to be divested of the responsibility of providing expertise in common basic trades like smithy, carpentry, metal finishing, forging, welding, heat treatment, etc. which they have been dealing with since inception of the Programme.

4.13. The Group are glad to note that some action has been initiated in this behalf and that immediately 8 Extension Centres are proposed to be handed over to the State Governments. The process should be expedited as there are as many as 50 Extension Centres belonging to primary trades mentioned above, which should be handed over to the States. The State Governments should develop their technical wings in regard to the basic trades; and the facilities and machinery and equipment which are at the disposal of the Organisation of the Development Commissioner (Small Scale Industries) should be handed over to the State Governments to help them provide technical services for basic trades.

4.14. The Group would also like to make it clear that so far as the Organisation of the Development Commissioner (Small Scale Industries) is concerned, it should also shed the activities like provision of workshop facilities relating to engineering industries where these are available from other sources in the small scale sector itself. This is to say that as facilities are developed by other agencies on a commercial basis, it would be appropriate on the part of the DCSSIO to gradually withdraw from the field so as to encourage the private or/and State Government agencies to develop their facilities to the full. Such an action would help the Government to release resources for more important tasks in the service of small scale industries.

4.15. A reference has been made earlier in the report to the constitution of the Small Scale Industries Board in November 1954 for planning and co-ordinating the basic programme of development of small scale industries at the national level. In 1965, it was decided to split up the Board into two—one a Policy Making Board, called the Small Industries Board consisting largely of Union

Ministers and State Industry Ministers and a number of selected officials and non-officials, and the other, an Implementation Committee called the Small Industries Official Level Committee, consisting of officials and non-officials. The idea behind the bifurcation was that the Policy Making Board would be concerned only with the major policy issues and question connected with the development of small scale industries. The Official Level Committee constituted under the Chairmanship of the Secretary, Ministry of Industry, Government of India, would follow up the recommendations of the Policy Making Board to ensure early and effective implementation of the same.

4.16. It was intended that the Policy Making Board would meet twice a year and that the Official Level Committee would meet more frequently. It has, however, not been possible for the Small Industries Board to meet more than once a year. The Official Level Committee since its constitution in 1966 has met only twice and, therefore, the frequency of the meeting of this Committee has not been higher than that of the main Policy Making Board. Secondly, it has not been possible to observe a line of demarcation between policy and non-policy questions as same set of questions and problems have come up for discussion before both the Small Scale Industries Board and the Official Level Committee. The bifurcation of the Board has not been justified in actual working and has not led to more intensive discussion on policy questions in the Small Scale Industries Board or more effective follow-up of the recommendations of the Board by the Official Level Committee. The Group have been informed that from 1955 to 1965 the Small Scale Industries Board was meeting three or four times a year and that it had proved very effective in those years both in the formulation of important policies regarding development of small scale industries and in securing implementation of the same. The present practice of the Official Level Committee and the Small Scale Industries Board meeting separately once in twelve months has not turned out to be useful for the sustained development of small scale industries. The Small Scale Industries Board has lost some of its effectiveness due to the bifurcation and long intervals between two meetings.

4.17. The Group strongly feel that it is desirable to revert to the old system in which the Small Scale Industries Board used to meet regularly at least three times a year. It is not necessary to have a separate Official Level Committee and it should suffice to set up separate Standing Committees on different aspects of development of small scale industries, such as finance, ancillaries, raw materials, etc. so that the Board could be guided and advised regarding the effective means of accelerating the development of the small scale sector. The Small Scale Industries Board must assert itself and make a meaningful impact on the development of small scale industries in the country. In the opinion of the Group, this can be ensured only by preserving its old character and doing away with the bifurcation of the Board into a Policy Making Board and Non-Policy Making and Implementation Committee. The Board must meet more frequently and at least twice a year to give policy

directives and to suggest positive measures to deal with the emergent problems concerning the development of small scale industries in the country. The Group also like to invite a reference to the recommendation of the Estimates Committee (1965-66) made in their 105th Report (pp. 14-15), which also stressed the necessity for the Small Scale Industries Board to meet at least once in six months for "critical review and fruitful deliberations, on problems facing small industries."

4.18. The Organisation of the Development Commissioner (Small Scale Industries) has, in addition to its most important function regarding the provision of industrial extension service, to discharge a very important function relating to co-ordination of activities for the development of small scale industries at the operational level. The most important functions in this category are the following:—

- (i) Co-ordination of the programme of development of large and small scale industries;
- (ii) Acting as a liaison between different States and between the States and the Union Ministries, Planning Commission, State Bank of India, Reserve Bank of India, etc.;
- (iii) Co-ordination of the programme for the development of Industrial Estates and of Ancillaries all over the country;
- (iv) Co-ordination of the implementation of the Small Industries Programmes in the various States;
- (v) Scrutiny of the State-wise plan outlays and targets of the small scale sector and appraisal of the requirement of the State Governments for Central assistance on the basis of their needs and potentialities.

4.19. The Organisation of the Development Commissioner (Small Scale Industries) has a special responsibility in effecting co-ordination in special fields of development like Industrial Estates, Ancillaries, etc. The Estimates Committee have taken pains to emphasise the importance of this function and to make it incumbent on the Central Organisation to take a more positive view of its responsibility as the principal Central Agency in regard to these programmse. The Development Commissioner is also required to assist the Ministry in regulating fair and equitable allocation of Central assistance to the States for the development of small scale industries and is responsible for watching the progress in expenditure incurred by the State Governments in implementation of their small industries programme.

4.20. Another important function undertaken by the Central Organisation, which is assuming increasing importance every year, is the scrutiny of applications submitted by the large scale undertakings for grant of licences under the Industries (Development & Regulation) Act. From the point of view of balanced and co-ordinated development of the large and small industries sectors, it is absolutely necessary for the DCSSIO to scrutinise all applications from the large scale industries in depth in order to make a proper technical assessment of the feasibility or otherwise of manufacturing the end-products or its components and parts on a small scale

basis. It is extremely important to create a wide operational base for small scale industries through the expansion of the sub-contracting system. This calls for continuous vigilance to be exercised by the DCSSIO on the setting up of self-contained large scale undertakings with built-in capacity to manufacture almost everything. The DCSSIO is, therefore, expected to undertake careful scrutiny of the applications for industrial licences to eliminate items, products and processes which can be manufactured by the competent small scale industries within the country.

4.21. Uptil now the Development Commissioner has had to carry on the scrutiny of the applications for setting up large scale industries with the help of a meagre staff at Headquarters of three Directors and five Deputy Directors who are general purpose technologists in Mechanical Engineering and Chemical trades. The result is that the scrutiny and examination has been generally very inadequate and superficial, to say the least. Since the applications mostly relate to modern growth industries in the field of machine tools and industrial machinery, thermo-plastics and other petrochemical based products, electronics and scientific and precision instruments, electrical measuring instruments, etc., the dearth of experts belonging to these specialised trades has made it almost impossible for the Development Commissioner to make any real contribution to the growth of the small scale sector by successfully eliminating from the scope of industrial licences the facilities of manufacturing items, components and parts which are being or can be competently produced in the small scale sector.

4.22. In this context it would be pertinent to mention that the Directorate General of Technical Development, which is mainly concerned with the regulatory function is in a position to draw on the services of top level experts like Senior Industrial Advisers and Industrial Advisers. The Organisation of the Development Commissioner does not yet have a single Technical Officer of the rank of Industrial Adviser, although they have to undertake not only regulatory work in connection with the issue of licences and State-wise allocation of foreign exchange, raw materials, etc., but also promotional work, which forms no part of the DGTD though it is far more important and decidedly more complicated and difficult than regulatory work. It should be mentioned that the Directorate General of Technical Development has been provided with experts, not only in major trades like Mechanical Engineering, Chemicals, Electrical Engineering, etc., but also in all important sub-trades like Automobile Engineering, Construction Equipment, Heavy Mechanical Engineering, Heavy Electrical, Light Electrical, Light Mechanical, Industrial Machinery, Machine Tools (Metal Cutting), Machine Tools (other than Metal Cutting), Cutting Tools, Hand Tools, Scientific Instruments, Plastic, Plastic Chemicals, Paints, Petro-Chemicals, Miscellaneous Chemicals, Dyes, Oils, and Paper and Pulp, Leather and Rubber, etc. Each of the sub-trade is in charge of one to four Development Officers who are more or less of the same rank as Directors in the Office of the Development Commissioner (Small Scale Industries). The staffing pattern of the DCSSIO (Hqrs.) and the DGTD has been shown at Appendix VII.

L/B(N)297AR(C)—3(a)

4.23. Though conscious of the need for effecting economy in administration, the Group consider it absolutely essential to strengthen the headquarters of the Organisation of the Development Commissioner (Small Scale Industries) by the addition of the following top level experts in specialised fields to enable him to discharge his functions satisfactorily—

Designation of Post	No. of Posts Required	Scale of Pay
1. Industrial Adviser (Plastic & Plastic Chemicals) ..	1	Rs. 1,800 -2,000
2. Industrial Adviser (Electrical Engineering & Electronics) ..	1	Rs. 1,800 -2,000
3. Industrial Adviser (Mechanical & Instrumentation Technology)	1	Rs. 1,800 -2,000
4. Director (Plastics and Rubber)	1	Rs. 1,100 -1,800
5. Director (Insecticides & Pesticides)	1	Rs. 1,100 -1,800
6. Director (Electrical)	1	Rs. 1,100 -1,800
7. Director (Electronics)	1	Rs. 1,100 -1,800

4.24. The important functions relating to small industries planning and development, which the Organisation of the Development Commissioner (Small Scale Industries) is expected to discharge are given below:—

- (i) To identify areas or fields of production which are particularly suitable for small scale operation;
- (ii) To secure reservation of certain products for intensive development in the small scale sector;
- (iii) To advise the State Governments on fields of production in which it is desirable not to encourage the setting up of new units for reasons of excess capacity, difficulty of procurement of basic raw materials, etc.;
- (iv) To assist the Planning Commission in preparing the programmes of development of small scale industries for successive Five Year Plans on the lines of the industrial programmes for the large scale sector on a realistic assessment of present capacity, production, future scope of expansion, competitive outlook, etc.;
- (v) Preparation of 'Performance Budget' for the entire Organisation including the Small Industries Service Institutes and its Branches and an evaluation of the achievements against targets laid down in the programme.

4.25. It has not been possible for the Development Commissioner to give high level attention to the formulation and evaluation of Government policies and measures for the healthy and balanced growth of small scale industries. In the absence of a highly qualified and experienced Policy Planning Adviser to provide the Development Commissioner and the Ministry with authoritative guidance on immediate and emerging small industry policy matters, there has hardly been any systematic attempt at policy and programme planning for the entire small industries sector. The Group feel that it

is absolutely necessary to create the post of an Industrial Adviser (Planning and Research) for the Organisation of the Development Commissioner to give major attention to the undertaking of special functional and topical studies needed for policy guidance and for making recommendations for formulating Small Industries Programme along lines that are most likely to realise the potentialities of small industries development in the prevailing situation. The Group are glad to note that an Evaluation Cell has already been created at the headquarters of the Organisation of the DC (SSI) on the basis of the recommendation of the Estimates Committee (1965-66), made in their 105th Report, page 18, and would recommend that the Cell should be placed under the Industrial Adviser (Planning & Research) for continuous evaluation of programme effectiveness.

4.26. It has already been mentioned that the edge of the technical service has been somewhat blunted by the failure of the DCSSIO to provide expertise of the required level in such growth industries. The small scale sector which has been able to diversify into new and sophisticated lines of production are not getting the required assistance in the form of technical advice and guidance from the Small Industries Service Institutes due to want of experts and subject matter specialists in these fields.

Private Panel of Consultants

4.27. The Group are also convinced that a substantial addition to the technical staff of the SISIs at the regional level is extremely necessary to render effective technical advisory service to small scale industries in the modern growth industries. The Group are, however, of the opinion that the utilisation of private consultants, and experts on a part-time basis is extremely desirable to improve the quality of the technical service provided by the Small Industries Service Institutes. It is recommended that provision of high-level technical consultancy service on a regional basis should be arranged by establishing technical panels of part-time consultants for various key industries, attached to the Small Industries Service Institutes at Calcutta, Bombay, Madras and Delhi. These Institutes should establish rosters to contact consultants to supplement their own staff; and the personnel may be allowed to be drawn from large public and private undertakings, National Laboratories, retired technical experts, etc. The panel of consultants should render technical advice to the Institutes on payment of monthly retainer's fees and the Government should make it possible for experts attached to public sector undertakings and national laboratories to work as part-time consultants to the Organisation of the Development Commissioner (SSI).

4.28. The Group also feel that it should be more and more the endeavour of the Government to stimulate interest in private corporate agencies, industrial co-operative societies, trade associations, etc. for the provision of technical services and facilities. These bodies which have not so far shown much willingness or initiative to offer technical services and facilities to small scale industries should be encouraged to undertake this task to an appreciable extent on the basis of a matching grant from the Government of India. Initially,

Government may agree to finance the expenditure to be incurred by these agencies on a 50 : 50 basis, but the Central assistance may be gradually reduced from year to year with provision for being completely tapered off at the end of five years.

4.29. The suggested steps will help Government to minimise the expenditure on the provision of higher industrial extension service. The Group, however, think it absolutely necessary to strengthen the Small Industries Service Institutes by providing the minimum supporting staff to render essential technical service in specialised trades with the help of a panel of consultants as indicated below:—

1. Deputy Director (Electronics)	..	..	..	..	..	..	1
2. Deputy Director (Elec. Engineering & Measuring Instruments)	..	..	..	..	..	..	1
3. Deputy Director (Plastic Chemicals)	..	..	..	..	..	..	1
4. Deputy Director (Paper Conversion & Miscellaneous Chemicals)	..	..	..	..	..	..	1
5. Deputy Director (Tool Room Specialists on Design and Production of Dies, Jigs and fixtures etc.)	..	..	..	..	..	..	1

4.30. The Group feel that although a good deal of emphasis is being put on improving and standardising the quality of industry products, very little effective help is being rendered by way of providing adequate facilities for the testing of raw materials and finished products. It is, therefore, necessary that one of the basic handicaps in the improvement of small industry products be removed by developing the SISI workshops and laboratories at Calcutta, Bombay, Delhi and Madras into full-fledged regional testing centres to cater to the needs of mechanical, electrical, metallurgical and chemical industries.

4.31. It has been estimated that a sum of Rs. 25 lakhs would be required to equip each of these regional testing centres with adequate machinery, tools and laboratory equipment. Each testing centre should be in charge of a Director who should be assisted by supporting technical staff. The staffing pattern for each centre should be as follows:—

Director	..	..	..	..	..	..	1
Deputy Director	..	..	..	..	..	..	1
Asst. Director	..	..	..	..	..	..	1
Scientific Officer	..	..	..	..	..	..	1
Laboratory Assistants	..	..	..	..	..	..	2

4.32. The Group also recommend that in addition to the Regional Testing Laboratories at Bombay, Madras, Delhi and Calcutta, the Organisation of the Development Commissioner (SSI) should set up process and product development centres-cum-testing laboratories in trades like rubber, plastics, electrical appliances, making of tools and dies, pressure die castings, etc. at appropriate places like Kanpur, Ludhiana, Hyderabad, Ahmedabad, Asansol, etc., keeping in view the requirement of the particular area. These centres may be constituted

by pooling the existing resources and staff from the different extension centres and institutes and supplementing these by critical equipment which will be necessary to help the centres function as full-fledged development-cum-testing centres. The objectives of such centres will be as follows—

- (i) To solve the operational problems of the small scale units brought back by the field staff;
- (ii) To disseminate information regarding the latest development in the manufacturing lines;
- (iii) To develop new processes and products to encourage the setting up of new units;
- (iv) To evolve appropriate technology suited to particular demand and resource situation, to test the products of small scale enterprises.

4.33. The Group further recommend that the test certificates should be issued by the Regional Testing Centres and the above-mentioned process and product development centres should be treated on par with those issued by the other approved laboratories in the country, not only by the Export Promotion Council but also by the Directorate of Inspection of the DGS&D and other Government purchase agencies. The certificates should not be given free and the service should be charged for, but the scale of fees should be determined with due regard to the capacity of the small scale sector, to pay these fees.

Charging of Fees

4.34. The Group deem it necessary to have fresh thinking over the whole question of imposition of fees for all types of services rendered by the Organisation of the Development Commissioner (SSI) including techno-managerial consultancy service. The rendering of extension service has gone on too long on a completely gratuitous basis and it is high time to change the practice. The imposition of service fees is the best way to ascertain the true value of the services and to discriminate in favour of those who have a real need for such help. This will also prevent the extension personnel from becoming bureaucratic and less service minded by getting entangled in routine work of administrative nature and help identify programmes that do not have sufficient demand to justify their continuance.

4.35. The Group, therefore, feel that all types of services should be progressively charged for, the scale of fees being adjusted according to the quality or level of expertise needed and the time required to be spent on the provision of the service. The fees, however, need not in all cases cover the entire cost. An element of subsidy may be allowed at the initial stage in fixing the scale of fees. It may also be desirable to make an exemption in the case of units located in depressed and backward areas but this pre-supposes that the delineation of such areas will have to be undertaken in advance by the State Directors of Industries. Since the cost of provision of extension service will increase substantially due to the need for recruiting top level experts in specialised trades and provision of

sophisticated machinery and equipment in the process and development centres, it will be entirely appropriate to recoup at least a part of the expenses through the imposition of service fees on all important types of services rendered by the DCSSI.

4.36. The Group would like to draw attention to the fact that at present the responsibility for the development of industries like electronics, petro-chemicals and related industries, fruit preservation etc. vests in different Ministries which are also determining the policy for the development of such industries. Although several Ministries are concerned with the development of industries, the Organisation of the Development Commissioner, Small Scale Industries, is the only agency at the national level, responsible for the co-ordination programme for the development of small scale sector of these industries. There has, however, been a tendency on the part of some of the Ministries concerned to work in isolation without taking the Development Commissioner, Small Scale Industries, into consultation in the formulation of policies and programmes for the development of the industries in question.

4.37. The Group would, therefore, suggest that the Union Ministries concerned with the development of specific industries should work in close collaboration with the Organisation of the Development Commissioner, Small Scale Industries, for the Co-ordinated development of the large and small sectors of these industries.

4.38. The Estimates Committee (1965-66) had recommended in their 105th Report on the Organisation of the Development Commissioner (Small Scale Industries) that all the handicaps which come in the way of Development Commissioner performing his duties efficiently in respect of small scale industries should be removed by the Government and that the powers of the Development Commissioner for proper development of small scale industries should be on a par with those enjoyed by the Director-General of Technical Development for large scale industries. The Group are glad to know that in partial implementation of the Estimates Committee's recommendation, the Development Commissioner, Small Scale Industries, has been given due representation on all Committees and Councils dealing with matters having a direct or indirect bearing on the development of small scale industries, such as allocation of raw materials and foreign exchange, licensing of capacity in the large scale sector, etc. It is now possible for the Development Commissioner to place his views before the high level Committees and Councils on all questions affecting the development of small scale industries and to try to safeguard the interest of the small scale sector and see that no decisions are taken which may be contrary to the objective of promoting healthy growth of the small scale sector. It is, however, a fact that in spite of the participation of the Development Commissioner in Committees and Development Councils, it has not been possible for him to make a proper impact and to carry the full weight of his views because of his relatively low status which has proved to be a great handicap in the performance of his duties and has actually made it difficult for him to function as effectively as other organisations, notably, the Directorate-General of Technical Development. Whereas the status of the Development Commissioner is at present comparable

to that of a Senior Deputy Secretary, the DGTD has a status equivalent to that of the Additional Secretary to the Government of India. In this connection, it would be appropriate to give below the observations of the Malaviya Committee on the question of the status of the Development Commissioner:—

“The Development Commissioner, besides being in charge of the Small Industries Development Programme in the entire country, has to perform functions regarding co-ordination of the implementation of the programme by the State Governments and of the activities of the different Union Ministries in so far as they relate to or impinge on the development of small scale industries. In view of this and also because of the importance assigned to the small scale industries sector in the national economy to raise production, create employment opportunities and to promote decentralised growth, there can be no doubt that the Development Commissioner has to be a person of high responsibility. The status of the D.C. must be determined with due regard to the duties and responsibilities attaching to the post and the need for removing the present handicap in the performance of his duties.

* * * *

“The Committee have given their earnest consideration to the question and strongly feel that purely from the functional point of view, it would be entirely appropriate to raise the status of the post to that of an Additional Secretary to the Government of India. The Committee would, however, like to emphasise that it will not be possible for the Development Commissioner (SSI) to discharge his responsibilities efficiently for the proper development of small scale industries unless the status of the post is raised at least to that of a Joint Secretary to the Government of India”.

4.39. The Group feel that the question of status of the Development Commissioner, Small Scale Industries, is of crucial importance in relation to the functions that he has to discharge, particularly in respect of effecting co-ordination between different Ministries of the Union Government and with different State Governments. The Group would, therefore, strongly suggest that the Development Commissioner should be of the minimum status of that of Joint Secretary to the Government of India to enable him to perform his duties efficiently in regard to the development of small scale industries. The grant of the status of Joint Secretary will not only enable the Development Commissioner to speak with greater authority and to make his weight felt in all matters having a bearing on the development of small scale industries, but also enable him to deal directly with all issues and questions which are disposed of by the Ministry at the Joint Secretary's level, without having to make a reference to the Ministry again. The Group also feel that the raising of the status of the post to that of a Joint Secretary would make it unnecessary to allot a separate Joint Secretary to deal with small industry questions in the Ministry.

Role and Functions of the State Governments

4.40. The primary responsibility for the development of small scale industries is of the State Governments, but the direct responsibility is that of the State Directorate of Industries. The Director of Industries is in overall charge of the small scale industries programme in his State. He is assisted either by an Additional Director of Industries or a Joint Director of Industries. In some States the responsibility for the development of small scale and large scale industries has been bifurcated and the two sectors have been put in charge of separate Directors of Industries. But in a majority of the States an Additional Director or Joint Director is in exclusive charge of the small scale industries. In addition to the above staff, there are a number of Deputy Directors and Assistant Directors in charge of field activities.

4.41. To look after the industrial development work at the district level each district is in the charge of a District Industries Officer or an Assistant Director of Industries who is assisted by one or two inspectors depending upon the volume of work. However, the district staff has to look after not only the small industries programme but also other programmes relating to handicrafts, village industries, etc. At the block level in most of the cases there is an Extension Officer for Industries in each Block. The most important functions of the State Directors of Industries in relation to small scale industries are as follows—

- (i) Financial assistance under the State Aid to Industries Act.
- (ii) Supply of Raw Materials in respect of indigenous, controlled items and imported materials for which essential certificates have to be issued.
- (iii) Development of industrial estates and industrial areas.
- (iv) Organisation of co-operatives and other forms of assistance.
- (v) Registration of small scale units and collection of key statistics of small scale industries.

4.42. Besides the functions mentioned above, the State Directors of Industries are also providing training facilities and also some common service facilities for the development of small scale industries. But the majority of the State Governments are still entirely dependent on the Small Industries Service Institutes and their extension centres for the provision of technical services to small scale industries. A number of States have, however, been trying to develop their own technical assistance programme over the past few years. For instance, the Madras Government has been giving technical assistance to small units which might approach the Directorate of Industries with their problems. They have also set up a number of common facility centres, Tool Room Rural Workshops, etc. to provide technical assistance to small scale units. The Governments of Mysore and Maharashtra have also Common Facility Centres to give technical advisory services and assistance to small scale enterprises. The Industries Directorates of Uttar Pradesh and Punjab have a number of technical advisers who

have specialised knowledge in certain industries to give technical assistance to small industrialists on request. The Government of West Bengal is rendering technical assistance to small industries by preparing schemes, testing samples, performing certain selected processes in their common facility centres and by helping units in selected industries to undertake standardisation of quality through their quality marking centres. In this connection a question was raised as to whether provision of technical service by State Governments would lead to overlapping of activities between the Organisation of the Development Commissioner (Small Scale Industries) and the State Directorates of Industries. It is, however, the confirmed view of the State Directors of Industries that there is no question of overlap as the scope for rendering technical assistance and advice is very vast indeed. Whatever is being done by the State Governments is entirely in supplementation of the efforts of the Small Industries Service Institutes and their Extension Centres. In some States, the Director of Industries is not even a technical man.

4.43. In fact the State Directors of Industries lack technical personnel to discharge their functions efficiently and the tendency to regard the Small Industries Service Institutes as their technical wings for all purposes has left them extremely ill-equipped in terms of technical personnel to effectively deal with the needs and problems of small scale industries. In spite of the constitutional responsibility of the State Governments in the matter of small industries development, the existing set-up in the States is not at all conducive to the realisation of this objective.

4.44. It will be pertinent to point out that there have been great disparities in the levels of development of small scale industries in different States, due primarily to widely varying degrees of attention, drive and initiative put in by the State Governments. Excepting a few States like Madras, Punjab and Maharashtra, the progress of the small scale sector was very unsatisfactory in other States. The fact that the priority accorded to the small industries sector was allowed to diminish steadily over the successive Plan periods in a vast majority of the States was a reflection of the lack of appreciation and awareness in these States of the role and significance of small scale industries in the national economy. The performance in Bihar, Rajasthan, Orissa, Mysore, Uttar Pradesh, Assam and West Bengal has been very disappointing. Even at present the main emphasis in the small industries programme is being put on the issue of permits and certificates and the largest proportion of the time of the staff is spent on regulatory duties. The Industries Directorates are not fully aware of the difficulties and problems facing the small scale industries and are hardly in a position to provide the integrated leadership at the State level which is necessary to give the required thrust to the development of small scale industries.

4.45. The Central Government's role in small industries development has to be limited to formulation of policy, co-ordination of programmes, launching of promotional activities and provision of higher technical assistance which cannot be organised conveniently

by the State Governments. It has to perform catalytic action to stimulate and assist the States and other agencies to build up the small industries movement. But the State Directorates of Industries must be the 'central force' at the State level in developing and building up the small industries sector. All other agencies like the Organisation of the DCSSI, NSIC, the State Bank of India, etc. would be instrumental and helpful, but infrastructures have to be provided by the States to prepare the base to receive and utilise these aids.

4.46. State Industries Directorates should take up periodical review of the status of small scale industries and their problems, arrange conferences, evolve appropriate strategy at the State level for the development of small scale industries, formulate programmes which will have the maximum impact and assume a dynamic role to accelerate the development of small scale industries.

4.47. In connection with the development of small industries in smaller towns and villages, formulation of integrated plans of development of the industrial centres in co-operation with all developmental departments concerned with the provision of economic and community facilities, e.g. the P.W.D., Public Health Engineering, Electricity, Medical and Education Departments, etc. should also be the primary responsibility of the State Directorates of Industries.

4.48. As already recommended by the Group, the Organisation of the Development Commissioner (SSI) should disengage itself from activities that it has effectively demonstrated over a number of years and the provision of technical services in regard to the basic trades should be carried forward by the State Governments. This will not only make it possible to avoid any duplication of efforts in specific fields between the Central and State Governments, but also leave the Central Organisation free to build up programmes for giving higher technical expertise and guidance in respect of new and sophisticated industrial fields.

4.49. The Group would strongly recommended that the State Directorates of Industries should be strengthened by the addition of competent technical officers to carry on the promotional activities and arrangements should be made on a high priority basis for the training and retraining of the existing personnel to make them temperamentally and professionally suitable for implementing the small industries development programme in the States. Maximum use should be made of the Small Industry Extension Training Institute for training the existing personnel for the successful operation of the small industries programme at the level.

4.50. It should be the responsibility of the State Directorates of Industries to handle registration, collection of key statistics from small scale units and undertaking local economic surveys. The States should, however, perform these duties in accordance with the overall scheme approved by the Organisation of the Development Commissioner (SSI) in order to ensure uniformity

and comparability of data, but the primary responsibility for discharging these functions should be that of the State Governments. It will, however, be necessary to strengthen the State Directorates adequately for the proper performance of their duties in this behalf.

4.51. The Group feel that the industrial development in each State should be viewed in a long-term perspective and, as such, continuance of policies and programmes is very important. It may be mentioned that some States have formulated their small industry policy in detail and this has helped in clarifying the objectives and priorities of the programme to the staff of the Directorates of Industries.

4.52. The Group would suggest that each State Directorate of Industries should set up a Planning Cell to assist not only in the formulation of policy and programme but also in its evaluation. This cell will also help in laying down priorities in terms of policy objectives and watch over the process in achieving these objectives. Although a few States have taken steps in this direction, it is considered imperative that all State Directorates of Industries should be asked to set up such a cell which will be also helpful in coordinating the work of the District Industries Officers and in maintaining close liaison with the Organisation of the Development Commissioner (SSI).

Coordination between the State and the Centre

4.53. On the question of co-ordination between the Central and State agencies, it may be mentioned that the Small Scale Industries Board, which is the apex body at the policy making level, includes members drawn from the State and Central Governments and also non-officials from small and large industries; as such necessary coordination is achieved through it at the policy making level. The Organisation of the Development Commissioner (SSI) follows up the recommendations of the Small Scale Industries Board and coordinates the implementation of the small industries development programme. It scrutinises plan proposals from State Governments and guides them in the preparation of schemes for development of small scale industries. At the operational level in the States, close liaison is maintained between the Small Industries Service Institutes under the DCSSIO and the State Directorates of Industries. The Advisory Committees attached to the Small Industries Service Institutes are State-level committees set up to achieve coordination between the State and Central agencies in the execution of the small industries development programme. The periodical meetings of the Development Commissioner (Small Scale Industries) with the State Directors of Industries in Delhi every three months also serve the purpose of eliminating bottlenecks and resolving problems and difficulties which might arise from time to time in the course of implementation of the small industries programme.

4.54. In the view of the Group, the machinery already evolved for effecting coordination should be adequate; but it appears that there is considerable room for improvement in the existing arrangements for co-ordination. In this connection, the Group would like to invite a reference to the conclusions of the Estimates Committee (1965-66) regarding the working of the present machinery for coordination, as given below:—

"The Committee regret that the Advisory Committees attached to the Small Industries Service Institutes have so far failed to make the expected impact on small scale industries even though these can go a long way towards ensuring the necessary coordination between the various Central and State agencies for the development of small scale industries. They hope that the Advisory Committees would be energised.

"The Committee urge that each Advisory Committee should meet atleast once in three months and more often, if necessary, and should watch and ensure the implementation of the decisions reached at each meeting.

"The proceedings of the Advisory Committee and the action taken thereon should be regularly submitted to the headquarters of the Central Small Industries Organisation which should collate the experience of the various States and provide necessary guidance. The Committee suggest that the Development Commissioner may review the working of these Advisory Committees with special reference to action taken by State Governments on their recommendations at his periodical meetings with the Director of Industries of the State concerned.

"The Committee would also like to suggest that the Advisory Committees should be strengthened by getting into them representatives of the State Bank, Commercial Banks and State Productivity Councils, and a few more small industrialists".

4.55. The Group endorse the view of the Estimates Committee that the functioning of the State Advisory Committee leaves considerable room for improvement and would like to suggest that the Secretary of the Industries Department in the State Government should be nominated as the Chairman of the Advisory Committee in each State to make the coordination of the activities and programmes of the Central and State agencies more effective in future.

5.56. The Group are aware that in spite of the efforts at co-ordination great disparities have arisen among the various States in the implementation of the small industries programmes and the level of development of small scale industries. The State Governments which have been consulted by the Group on the means of securing closer and more effective coordination have emphasised that the role of DC(SSi) should continue to be advisory as at present and not made statutory, but they have agreed that the DCSSIO should be responsible for coordination of the work of the different agencies concerned with the development of small scale industries at the State and the Central level.

4.57. Although State Governments are primarily responsible for the development of small scale industries, in the opinion of the Group, the Central Coordinating Agency (DCSSIO) should be in a position to initiate corrective action in the case of pronounced failure on the part of any State Government to implement approved

programmes or to fulfil the planned targets. The Development Commissioner (SSI) cannot be divested of the responsibility of exercising a measure of supervisory and coordinating authority over the States and to see that the programmes are realistic and practical and are in fact implemented by the States.

4.58. The Group are definitely of the view that the DCSSIO should undertake periodical evaluation of the various programmes and their implementation by the State Governments, not only to be able to modify them from time to time in consultation with the concerned States, but also to induce the State Governments to take timely action to secure compliance with the agreed policies and objectives. The Group, however, think that the problems of coordination between the Centre and the State agencies will be reduced significantly, if the programmes and targets as well as the allocation of Central assistance to the States are determined in close consultation with the Development Commissioner (SSI), based on a sound appraisal of the needs as well as potentialities of each State.



V. ROLE OF (A) NATIONAL SMALL INDUSTRIES CORPORATION (B) STATE SMALL INDUSTRIES CORPORATION AND (C) SMALL INDUSTRIES EXTENSION TRAINING INSTITUTE IN THE DEVELOPMENT OF SMALL SCALE INDUSTRIES

(A) *National Small Industries Corporation*

5.1. The Government of India in their Resolution dated 7th June, 1954, on the Report of the First International Perspective Planning Team on Small Scale Industries decided to set up a small Industries Corporation to organise production in the small scale sector for meeting Government orders and for promotion of sales of small industry products. In pursuance of this Resolution, the National Small Industries Corporation Ltd., was set up as a private limited company on the 4th February, 1955, with an authorised paid up capital of Rs. 10 lakhs. The authorised paid up capital of the Corporation was subsequently raised to Rs. 50 lakhs.

5.2. Initially, it was thought that the Corporation would procure orders from Government purchase departments and pass them on to small scale units. It was visualized that the DGS&D will place prime contracts with the Corporation for products manufactured by the small scale units and that the Corporation, in turn, would sub-contract to small scale units for supply of stores required, thus enabling the prime contractor to retain a margin to meet operational expenses. However, in practice the Corporation was treated by the purchase organisations merely as one of the contractors participating in Government tenders and no special preference was given to it. Through the good offices of the NSIC, it has been possible to step up Government purchases from the small scale sector to considerable extent in recent years as would be apparent from the figures given below—

Central Government Purchases from the Small Scale Sector through NSIC

Period		सयमेव जयते						Value (Crores Rs.)
upto	31-7-1957	..	..	..	..	..	..	0.05
	1957-58	..	..	..	..	..	..	0.62
	1958-59	..	..	..	..	..	..	2.56
	1959-60	..	..	..	..	..	..	2.65
	1960-61	..	..	..	..	..	..	3.88
	1961-62	..	..	..	..	..	..	7.44
	1962-63	..	..	..	..	..	..	14.51
	1963-64	..	..	..	..	..	..	34.19
	1964-65	..	..	..	..	..	..	17.31
	1965-66	..	..	..	..	..	..	20.07
	1966-67	..	..	..	..	..	..	14.04

5.3. It would be seen that barring the year 1963-64 when the purchases had shot up to a high figure on account of the emergency the value of Government orders being supplied to small scale units

through the NSIC in recent years has been averaging around Rs. 17 crores. But in 1966-67, there was a decline in the value of orders executed by small enterprises.

5.4. It has to be mentioned in this connection that over the years the NSIC has acquired a number of activities which Government had entrusted to it obviously for the development of small scale industries. The main functions of the Corporation which they were called upon to discharge related to the following areas—

(a) *Marketing*

- (i) Introduction of marketing operation through mobile vans. (This scheme was given up with effect from 1st April, 1959).
- (ii) Opening of wholesale depots for the marketing of stores manufactured by small scale units (This scheme was wound up in phases).
- (iii) Pilot Schemes for marketing.

(b) *Hire Purchase of Machinery*

To supply machinery to small scale industries under the Hire-Purchase Scheme.

(c) *Industrial Estates*

Construction and management of two Industrial Estates—one at Okhla and the other at Naini near Allahabad.

(d) *Proto-type Production and Training Centres*

To set up three Proto-type Production and Training Centres—One at Rajkot, another at Delhi and the third one at Calcutta.

(e) *Exhibitions*

To participate in various Exhibitions that are held from time to time and to organise the Industrial Designs Exhibitions at different places in the country, to display articles of various designs received from the museum of Modern Art, New York.

(f) *Procurement and distribution of certain components and raw materials in short supply.*

5.5. The activities of the Corporation in the aforesaid areas were classified into two categories—(i) promotional and (ii) commercial, as indicated below—

Promotional

1. Government Purchase Scheme
2. Pilot Scheme for Marketing
3. Participation in Exhibitions
4. Administration of Industrial Estates in Naini
5. Setting up and running of Prototype Production-cum-Training Centres.

Commercial

1. Supply of Machinery under the Hire Purchase Scheme
2. Running of Wholesale Depots
3. Export of small industry products and procurement and distribution of components and scarce raw materials.

5.6. The intention was that the commercial activities of the NSIC should be so organised as to earn for the Corporation a reasonable margin of profit to cover its overhead expenses keeping however, in view the main objectives of the Government programme for the development of small scale industries. The promotional schemes are to be financed in the form of reimbursement of the actual expenditure incurred by the Corporation and such reimbursement will be made to the Corporation by Government, taking into account the profits, if any, made by the Corporation in its commercial activities.

5.7. The marketing function of the Corporation including the running of wholesale depots was subsequently discontinued because of heavy losses incurred in the transactions. The most important activity of the NSIC to-date has been supply of machinery on hire purchase basis. Upto the end of December, 1967, the aggregate value of indigenous and imported machinery supplied by the Corporation amounted to Rs. 29.8 crores.

5.8. The Corporation is at present running the Industrial Estate at Naini and also three Proto-type Production-cum-Training Centres at Okhla, Rajkot and Howrah. These Centres are designed to develop proto-type machines and machine tools for distribution to small scale industries for production on a commercial basis and also to impart training to skilled workers and executives of small industries.

5.9. In the opinion of the Group the NSIC should function mainly as a commercial organisation although in the performance of some of its activities, it may have a promotional bias to give a fillip to the development of small scale industries. The experience of the past 10 or 12 years has also shown that some of the activities assigned to the Corporation do not fit in with the main objectives for which the NSIC was started. The Group feel that assignments of activities relating to the running of Production-cum-Training Centres and construction and management of Industrial Estates do not conform to the main objectives of programme of work of the Corporation. They strongly feel that there should be re-thinking on the objectives of the Corporation and such non-conforming activities as the running of Industrial Estates, PTCs., Training Programmes, which are mainly of a promotional nature, should not form a part of the NSIC activities. The main functions of the Corporation should be clearly spelt out and according to the Group, they should be limited to the following—

- (i) Supply of machinery on Hire Purchase.
- (ii) Procurement and execution of orders relating to Government Stores Purchase.
- (iii) Marketing and distribution of Small Industry Products.

5.10. Activities indicated against serial (ii) and (iii) above, are of related nature, but they have been mentioned separately from the functional point of view. In the procurement and execution of

Government orders, the accent will be on the canalisation of Government purchase to the small scale sector to ensure that a substantial proportion of the Government purchases are made from the small scale industries. The marketing and distribution of small industry products will help fulfil the original objectives for which the NSIC was brought into being, namely, promotion of sales of small industry products through internal marketing and exports. The Group feel that there being several organisations like Export Promotion Councils, the State Trading Corporation, etc. to look after the export market, the real service which can be rendered by the NSIC to small industries is in the field of internal distribution of the products of small industries. The Corporation can render considerable help to accelerate the development of small industries through proper marketing of their finished goods. Until the recession set in, the economy was ruled by the seller's market and the small scale industries were not faced with any serious problem in the disposal of their products. In fact, the problem was one of general shortage of goods and the small scale producers could easily sell their products at a reasonable profit. The current recession has, however, underlined the need for giving marketing help to accelerate the tempo of development of small scale industries.

5.11. In the context of liberal availability of raw materials and sizeable increase in the number of units manufacturing various articles, the competitive outlook for small scale enterprises has changed somewhat adversely due to substantial increase in the supply of finished goods and marketing has become a problem for many small units. Further, the efforts that are being made by small scale entrepreneurs to undertake the manufacture of sophisticated products in new fields like electronics, industrial plastics, precision instruments, have highlighted the need for giving marketing help to these ventures in the initial stages. There is, therefore, a clear need for systematic and organised efforts to promote the sales of small industry products within the country. To sell the goods that are now being made by small enterprises, it is necessary to create confidence in the buyers about quality and performance as well as about the unit's ability to keep up the supplies. There is also the problem of competing with the products of large scale industries with adequate resources at their command to undertake marketing publicity and advertisements. There is also the problem of undertaking promotional sales at reduced prices to make a dent on the market.

5.12. In the earlier stages when the Corporation had undertaken internal marketing, they tried to popularise small scale industry products by sending them on demonstration vans with sales personnel and by opening a few marketing depots at strategic centres. The marketing depots were thus established at Khurja for potteries, Calcutta for cotton hosiery, Renungunta for glass beads, Madras for miscellaneous small industry products. The locations of depots were chosen keeping in mind the industrial mix of those places and the marketing problems involved. The depots helped establish distribution channels through the medium of agents and stockists and also by advertisement and publicity. They also made a contribution in laying down standards of quality and packaging. Through these operations the Corporation were able to fulfil the primary objective of

toning up the markets but was involved in heavy losses due to the promotional nature of the activity. Subsequently the marketing programme along with the hire purchase scheme was categorised as 'commercial activity' by the Government. The implication was that the marketing work could be taken up only on self-supporting basis. Because of the meagre resources at its disposal the Corporation had to give up the activities and depots were closed.

5.13. The Group would like to emphasise in this connection that the role of the NSIC in marketing the products of small scale producers will be somewhat different from that of the marketing organisation in the private sector. A private organisation would not normally take over the role of building up a supplier. This role of building up a supplier and creating a market is partly commercial and partly promotional and should be undertaken by an organisation like the NSIC which has been set up for small business promotion in the country. The Group are aware that in the very nature of things, the marketing service of the type envisaged cannot be a profit earning proposition from the beginning and would suggest that financial deficits which might be unavoidable in this type of activity in the initial stages may have to be made good by the Government for a reasonable period.

5.14. The Group feel that the Corporation has been considerably handicapped in its activities due to lack of resources. With the paid-up capital of only Rs. 50 lakhs and loans and credits exceeding Rs. 17 crores, the financial position of the Corporation leaves much to be desired. The Group have been given to understand that the Government are willing to convert a portion of their loans into capital assets to raise the paid up capital to about rupees 3½ crores, but the existing commitments of the Corporation in respect of hire purchase activities would hardly leave any margin for other activities in spite of the proposed increase in the paid up capital. The Group would, therefore, strongly urge that the financial position of the Corporation should be put on a sound footing by augmenting its resources in keeping with its objectives and the importance which is attached to the rendering of marketing assistance to small scale industries in the country.

5.14(a). The Group are also of the opinion that the Corporation should be divested of the responsibility of running the PTCs. The administration and management of these Centres should be placed in charge of a separate Central body to be constituted for the purpose. The management of Industrial Estate at Naini should also be handed over to the State Government as early as possible to enable the Corporation to concentrate their efforts on the important fields of their activity, as suggested in para 5.9.

(B) State Small Industries Corporations

Functions

5.15. In recent years the State Small Industries Corporations have been established in all the States excepting Jammu & Kashmir. The Group were informed that the functions of the Small Industries

Corporations varied from State to State. Generally speaking, the following activities have been undertaken by the Corporations—

- (i) Distribution of Raw Materials
- (ii) Marketing of Small Industry Products
- (iii) Participation in the State and Central Government Stores Purchase Programme
- (iv) Supply of indigenous machines on hire purchase basis
- (v) Construction and administration and management of Industrial Estates
- (vi) Participation in equity capital
- (vii) Management of industrial units.

No uniform function pattern, however, can be evolved for the State Corporations as this has to be need-based. The Group have, therefore, scrutinised each function on its merit and made suitable recommendations for the proper discharge of these functions by the State Corporations concerned.

5.16. In the matter of distribution of raw materials which is a function shared in common by all the State Small Industries Corporations, the Group received complaints regarding high prices charged by the State Corporations in the matter of supply of raw materials. Complaints were also received about the supply of raw materials, contrary to the indented specifications. It appears that the State Corporations were handicapped in the matter as the prices charged to them by the MMTC and STC for imported raw materials were higher at times than the prices of similar materials available in the open market. It also appears that the Corporations were saddled with materials of specifications not in general demand. Instances were brought to the notice of the Group where small scale units did not lift their quotas of raw materials in time or even refused to lift the materials due to high prices charged or variations from the required specifications, thereby creating complications for the State Corporations and increasing their liabilities on account of storage expenses, interest on capital investment, etc.

5.17. It is worth recalling that when the recommendations to set up the Small Industries Corporations were made by the Small Scale Industries Board in 1958, the primary objective was to create a Government agency which will protect the small industries from exploitation by private stockists. In the present situation characterised by decontrol of indigenous materials and liberalisation of import, the role of the State Small Industries Corporation as supplier of raw materials has diminished in importance. There is, however, no doubt that the difficulty of procurement of industrial raw materials of the scarce category will continue for a number of years.

5.18. The Group feel that the importance of Small Industries Corporation in the matter of procurement and distribution of scarce and critical raw materials will not diminish to any appreciable extent and, therefore, welcome the recent decision to canalise the supply of scarce categories of indigenous steel controlled by the Joint Plant Committee through the State Small Industries Corporations. The Group think it necessary to strengthen the role of State

Small Industries Corporations by canalising the distribution of scarce and critical raw materials through them so that they can have an effective role in safeguarding the interests of small consumers.

5.19. To strengthen the hands of the State Small Industries Corporations as a raw material bank for the small scale industries and to improve the economic viability of their transactions, it is necessary to ensure sufficient sales turnover and the Group would like to recommend that the distribution of imported non-ferrous metals should also be entrusted to the State Corporations. Further, the State Corporations should form a consortium which will pool the requirements of non-ferrous, scarce and imported materials in the various States with a view to placing bulk orders on the foreign suppliers to secure the advantage of lower quotations. The State Trading Corporation and the Minerals and Metals Trading Corporation should also appoint them as their business associates for the import of canalised items under the Trade Plan provisions.

Marketing of Small Industry Products

5.20. The marketing assistance to small industries has been undertaken on a very limited scale and by a few State Small Industries Corporations only. There is very good scope for the Corporations to help small units organise production according to market trends, arrange inspection, evolve common brands and popularise them to facilitate marketing and undertake distribution of the products, which have been manufactured according to the required specifications. It has been recommended by the Study Team on Recession in the Small Scale Sector that Trade Centres should be established by State Governments through the State Small Industries Corporations at all State headquarters to arrange display of the products of the local small industries for the knowledge and convenience of prospective buyers. This facility would stimulate the market for their products. Full technical details of the products together with the terms of business would be available to intending buyers from the Centres to enable them to judge about the acceptability of the products from their point of view. The Group feel that the State Small Industries Corporations should be assisted by the State Governments to set up these Trade Centres to facilitate the marketing of the products of small industrialists.

Participation in Government Purchase Programme

5.21. At present, Andhra Pradesh, Assam, West Bengal, Bihar, Maharashtra, Orissa and Uttar Pradesh Small Industries Corporations have schemes for encouraging and assisting small industrial units to secure Government orders. Some of the State Small Industries Corporations procure orders in their own names and get them executed through the small scale units enlisted with them.

5.22. The Group feel that the State Corporations, by and large, have not taken an active interest in the procurement of Government orders for the small scale industries. One reason, of course, that they are not properly equipped and staffed to render assistance to small units in the matter of compliance with drawings and specifications. Having regard to the importance of the Government Stores Purchase Scheme on furthering the development of small scale industries the

Group would suggest that the Small Industries Corporations without exception should participate in the Government Stores Purchase Programme at the Centre and in the States. It should be possible for the Corporations to realise a token service charge from the participating units to cover the establishment expenses needed for the provision of effective service to them. The State Governments also may agree to reimburse the deficits incurred by the State Small Industries Corporations in the operation of the schemes.

Supply of indigenous Machines on Hire Purchase basis

5.23. Some of the State Small Industries Corporations have introduced a scheme for the supply of indigenous machines on hire purchase basis. They have, however, restricted their assistance under the scheme to Rs. 50,000 per applicant. The NSIC has been supplying imported and indigenous machines on hire purchase basis since 1956 to all the States. The State Bank of India also has recently introduced an instalment credit scheme under which advances are given to small scale entrepreneurs to purchase machinery and equipment against hypothecation of the assets created out of the loan. The State Bank also grants medium term loans repayable over a period not exceeding 10 years for modernisation, renovation and expansion of the existing units. Many manufacturers of machine tools are also offering their products on a deferred payment basis.

5.24. The Group feel that in view of the facilities offered by the NSIC, State Bank of India and also the established manufacturers of machinery regarding supply of machinery on hire purchase terms, the State Small Industries Corporations should give relatively low priority to this activity and generally restrict their scheme to the supply of indigenous machinery to rural and semi-urban areas. This will ensure a better spatial distribution of resources and help extend the benefit to less industrialised parts of the State.

Participation in equity capital

5.25. The Small Industries Corporations in some of the States are providing financial assistance in the form of direct participation in equity and preference shares of various companies. The participation, is, however, on a very modest scale as yet, as it is limited to 2-3 units in each State.

5.26. The Group feel that participation in equity capital is an effective method of small industry promotion particularly in backward areas, but the terms of participation should be carefully laid down. In any case the extent of participation in equity capital should not be above 50% to ensure that the small entrepreneurs have a substantial stake in the business. However, each Corporation should try to extend its activity in this behalf according to its resource in terms of personnel and finance as it will be necessary to exercise managerial control and supervision over the assisted units.

Management of industrial units

5.27. A number of Small Industries Corporations are managing and running industrial units transferred to them by the State Governments. Some of them are also setting up new units.

5.28. While the management of existing units may be undertaken by the State Corporations at the request of the State Governments concerned, even this should be done for a limited period only. The Group feel that the Corporations should not in principle own or control or manage any unit except as a promotional measure in backward areas where entrepreneurs may be reluctant to start industries. Complaints have been received that the State Corporations are entering into competition with the small industrialists by participating directly in industrial ventures and are also seeking preferential treatment from the State Government in the matter of Government purchases. The Group would strongly suggest that this activity should not be undertaken by the Corporations except in very special circumstances, and even so it will be the endeavour of the Corporation to hand over these ventures either to the co-operatives of the workers or to private entrepreneurs who may come forward to run the enterprise on their own.

5.29. The Group would like to emphasise that although the State Small Industries Corporations have been set up to promote the growth of small scale industries, they have mainly to undertake commercial operations and have very often to compete with various agencies in the private sector. It is, therefore, very necessary that the person holding the key post of Chairman of the Corporation should not only be conversant with commercial and business practices but also be experienced in dealing with the public. It is as necessary to project "a satisfying image of a service organisation as to ensure the efficient performance of function". The Group feel that the Chairman of the Board of Directors of a State Corporation should be a prominent person conversant with the problems of small scale industries and with wide knowledge of industrial and economic development. The Managing Director should be selected in consultation with the Chairman from among persons with adequate experience in trade, banking or industry. In the case of deputation of a Government officer to hold either of the posts, the period of deputation should not be less than three years and not more than 5 years.

Subsidy on Promotional Expenses

5.30. The Group also feel that the State Governments should provide adequate funds to the State Small Industries Corporations for the discharge of various functions allotted to them to accelerate the development of small industries. Deficits incurred by the Corporations in the operation of schemes of promotional nature, as distinct from commercial activities, should be subsidised by the State Governments.

(C) Small Industries Extension Training Institute, Hyderabad *Original objectives*

5.31. The Ministry of Commerce and Industry announcing the creation of a Small Industries Extension Training Institute in 1960. defined the broad objectives of the Institute as follows—

- (i) To improve the extension services including training activities of CSIO and of State Governments for development of modern small scale factory industry.

- (ii) To undertake studies on subject matter, teaching methods and communication materials required for the development of small scale industries and maintain contact with organisations conducting similar studies in India and abroad.

5.32. It was further stated that "The Training activities of the Institute will be supplemented by a programme of special studies undertaken by faculty, including field investigation, research and preparation of course materials including communication aids. Ideas will be adopted from other countries with programmes of training industrial extension officers and from agricultural extension training institutes and advanced management programmes for large industries in India. However, care will be taken that the material used is modified so as to be of practical value for the development of small industry in India".

5.33. It was subsequently clarified in 1962 that the programme of the Institute will cover three areas, namely, development, management and extension and in each of the three areas it will have three functions, viz., training, research and service. The three areas have been delineated below—

Development—Motivation and planning for development. Government of India policies and programmes. Role of small industry in India and abroad. Economic investigation methods. Industrial dispersal, policy and economics, etc.

Management—Production management including planning, product development, maintenance, etc. Organisation structure, Management controls for costs, materials, machinery and labour. Financial planning. Distribution management, Personnel management, etc.

Extension—Observing, listening and responding in personal and group contacts. Communication within an organisation. Locating, stimulating and assisting latest entrepreneurial talent. Preparation, use and testing of communication materials, etc.

The scope of the functions relating to training, research and service in respect of each of three areas has been indicated below—

Training—State and Central Government extension officers in basic courses relating to industrial management and industrial planning and development and in specialised courses to meet the special needs of specific groups of trainees. Similar training at a later stage for managers and private consultants. Seminars and conferences for special purposes.

Research—Measures for small industry development. Adaptation of modern management techniques to small industry. Improvement of training methods and communication materials.

Services—Systematic publishing programme. Supply of training and communication materials. Special consultancy service for extension programmes.

The present activities and the future programme of the Institute have to be considered in the light of these original expectations.

Present Programme

5.34. The SIET Institute offers three types of training courses: (a) the Industrial Management Course; (b) the Area Development Course; and (c) Specialised Courses in different branches of Industrial Management.

5.35. The Industrial Management Course is of 12 weeks' duration, while the area development course is of 11 weeks' duration. Both are full time and residential. The former is meant for the extension personnel staffing, the SISIs of DCSSIO, officers in-charge of the production centres of the State Industries Department, owners and managers of private small industries and Extension Officers of foreign Governments. The area development course is offered to District Industries Officers of State Governments and officers of other organisations interested in industrial development at the district/regional level. DCSSIO staff also participate in this course, mainly as resource personnel.

5.36. The object of the Industrial Management Course is to equip participants with knowledge and skill in modern management techniques for improving organisation and operational efficiency of small enterprises. A significant feature of the course is that the participants spend three weeks making a diagnostic study in selected small units. The results of the study are analysed to recommend practical steps for improving productivity and secure optimum utilisation of the resources available to the enterprise studied.

An Appraisal

5.37. The Area Development Course is intended to make the participants more effective in their administrative, regulatory and developmental functions relating to industry by providing integrated knowledge and skill for the purpose. Like the industrial management course, it is action-oriented, the participants being taken to a selected district for a period of three weeks for applying the techniques of assessing the industrial potential of the district in terms of entrepreneurial talents, local industrial and financial resources, etc. The report on industrial development possibilities prepared by the trainees is then discussed by them with the officers of the State Government concerned.

5.38. Specialised courses of 6 to 8 weeks' duration are offered to Extension Personnel and owner-managers of small enterprises who have had initial training in industrial management. These courses are of advanced type and cover certain aspects of management like entrepreneurial motivation, advanced production management, organisational behaviour, etc. Some of the other specialised types of training courses, organised by the Institute, include a course in small industry promotion in developing economies and in training methods and skills.

5.39. The SIET Institute has trained 432 persons in industrial management, 235 persons in area development and 170 persons in various specialised courses as at the end of 1967.

5.40. Out of the 432 trainees so far trained in the Industrial Management Course, nearly 300 were drawn from the DCSSIO, thus covering more than half the total strength of the Organisation in the category of Assistant Directors and Junior Field Officers. The Area Development Course was devised mainly for the district level officers of the State Governments and was designed to impart knowledge about the techniques of assessment of the industrial potentialities of specific areas and regions to the administrative officers of the States. The objective was to stimulate small industries development in semi-urban and rural areas through the agency of the extension staff of the State Government.

5.41. Out of 235 persons trained in Area Development nearly 170 were drawn from the State Governments. It is, however, a fact that only few State Governments took keen interest in the programme. The Government of Maharashtra was the principal user of the facilities followed by Madhya Pradesh, Andhra Pradesh, Gujarat and Mysore. The other State Governments like Assam, Madras, Rajasthan, Uttar Pradesh and West Bengal did not show any interest in the facility offered by the Institute. So far as the DCSSIO is concerned, participation of officers in the Area Development Course can only be to a limited extent as the course is not designed to impart any higher knowledge to the officers of that Organisation in the techniques of assessment of Area Development potential.

5.42. It may be mentioned that participation in the regular course, i.e. the industrial management and area development courses have been dwindling steadily from year to year. In 1964, the number of trainees in these courses was 160 but decreased to 156 in 1965. In 1966, however, the number fell to 128. There was a steep fall in 1967 as the total came down to 95. In the first quarter of 1968, the number of trainees in the regular courses was only 13. The situation is going from bad to worse and there is real cause for anxiety about the future of the Institute. It appears that the type of training, the course-content, and the teaching methods were not decided by mutual consultation with the main beneficiaries, i.e. the State Governments and the DCSSIO and in the absence of continuous modifications and adaptation of the courses to the changing requirement of the extension personnel, the response and interest evoked in the clients have been dwindling very fast. It has been urged that the course content should have been continuously modified and upgraded through special studies and research designed to yield additional case material and to throw light on new teaching methods.

5.43. Of late, there has been a great emphasis on the research activity of the Institute. But this shift in emphasis has not been due to the felt need for strengthening the training programme as indicated above. This is a tendency to play up the research programme due to the weakening of the training programme. The research projects which have been taken up of late, however, are not directly related to the small industries sector. For instance, the Nagarajunasagar Project relating to Urbanisation and Optimisation of Industrial Location and the Stanford Research Institute Project on the

cost of Urban Infra-structure are only remotely connected with the small industries development. As such, they can have only an indirect impact on the training programme and can make little or no contribution to the provision of teaching material for improving the regular courses or for conducting specialised courses. It is no doubt true that the research projects have yielded a sizeable net income to the Institute as in 1967-68 against a direct expenditure of Rs. 1.38 lakhs on six research projects, the Institute was able to earn a total income of Rs. 1.75 lakhs (anticipated). It may, however, be noted that this income is only a very small proportion of the total expenditure of Rs. 14.1 lakhs during 1967-68.

5.44. The Institute has been greatly handicapped in its working due to almost complete lack of collaboration with the Organisation of the Development Commissioner, Small Scale Industries, and the present atmosphere of the Institute is characterised by an atrophy of spirit and action due to an intense feeling of frustration among the faculty members who have been generally ignored even in functional matters relating to course contents and training programmes of the Institute.

Suggestions

5.45. The Group would like to mention that training is the primary objective of SIET Institute and research studies are needed to give faculty experience, maturity and confidence for training and for service. It will be basically wrong to give exaggerated importance to the research function so as to introduce a research bias in the whole programme of the Institute to the detriment of the training and service functions.

5.46. In the opinion of the Group, the SIET Institute should be developed as a full-fledged Institute for the extension personnel in the small scale sector. Its programme should be enlarged and intensified so as to include training of personnel from the DCSSIO and the State Governments in areas or subjects which will be directly relevant to the sphere of their duties. The Institute should also arrange training of trainers from Small Industries Associations which offer to organise their own training courses, provide specialised courses in different branches of management; and arrange training seminars for senior administrators of the Industrial Development Programme at the Central and State level.

5.47. The Group regret to note the lack of necessary collaborative and coordinating spirit between the SIETI and the DCSSI. The Group feel that there should be intimate discussion and collaboration between the Institute, DCSSIO and the State Governments to determine the course content, method and techniques of teaching to ensure participation of the Central and State Governments in the training programme of the Institute on a regular and continuing basis. The research programme of the Institute should be ancillary to the training programme and should be undertaken mainly to throw up case material for improving the course content and refining the teaching methods. The study of applied research problems relating to small industries should also receive attention. But profiteering should not be any motive of a training institute.

5.48. There is an urgent need to pool the vast amount of technological knowledge and information that is already available with the DCSSIO and the CSIR and also arrange for the collection and compilation of results of technical research in different countries of the world. Such factual information for studying new techniques and new processes and their applications in improving quality and designs of industrial consumer products will be of great help in evolving appropriate technology for small scale industries. The SIET Institute should be responsible for pooling together, analysing and transmitting to the ultimate users the vast amount of scientific and technical information which is available in the country and outside.

5.49. The Group would suggest that a Small Industries Technical Documentation and Communication Centre should be set up by the Institute on a priority basis. The emphasis in the working of the centre should be on the prompt compilation of the results of latest research in the field and laboratories and transmission of technologically useful information to industrial extension personnel and small scale industries.

5.50. Next to the Governing Council and perhaps the Council, the Principal Director is the key person in the administration and management of the Institute and it would be no exaggeration to say that the efficiency and impact of the Institute would depend in a great measure on the energy, initiative and imagination he can bring to bear on the programme and activities of the Institute.

5.51. The Group strongly feel that the Principal Director should be carefully selected from among persons who are emotionally involved in the small industries programme and have long and varied experience in the field of small scale industries. The post should not be considered as a kind of refuge for officers who can not be suitably placed elsewhere. The Group would also like to point out that in a short period of six years the Institute has had four persons as Principal Directors and it is not desirable to make frequent changes in the Principal Directorship as the incumbent must have time to implement his ideas and make an impact on the programme and working of the Institute.

5.52. The General Body of the Governing Council of the Institute provides the necessary leadership and coordination at the national level, but the real leadership and continuous guidance can come only from the main executive of the Government responsible for the planning, direction and coordination of the small industries programme in the entire country, i.e. the Development Commissioner, Small Scale Industries. Therefore, to ensure close liaison between the Institute and the DC(SSSI), he was initially made the Chairman of the Governing Council; it is regretted that subsequently this was changed. The result has been extremely unfortunate, may disasterous. The relations with the DC(SSSI) are very strained at present and the internal administration of the Institute is almost on the verge of collapse. The Group have no hesitation to say that the Development Commissioner (SSI) should again be made the Chairman of the Governing Council of the Institute to ensure close coordination between the most important organ of the Government for the development of small scale industries in the country, i.e.

the Organisation of the DC(SSI) and the main agency for the training of the extension personnel concerned with the operation of the Small Industries Programme, i.e. the SIETI.

5.53. The Group feel that the Principal Director should have frequent contact with the State Directors of Industries and Small Industries Service Institutes besides being in the closest touch with the Development Commissioner to be able to cater to the training needs and requirements of the main clients and to modify and adapt the training courses to be of maximum usefulness to the clients.

5.54. The Institute should also take steps to hold seminars in industrial estates to interest the small scale tenant units in the training courses and also to evolve short term courses suited to the requirements of small plant owners in areas or fields which will be of considerable benefit to them.

5.55. At present, there is almost complete lack of collaboration between the Principal Director and the Faculty Members and this has led to almost a total collapse of the internal administration. The Group feel that there is need for intimate interaction and frequent consultation between the Principal Director and the Faculty Members and that a system of weekly discussion with all Faculty Members should be introduced by the Principal Director to keep a running check on the progress of training courses and also to secure a substantial measure of functional and emotional integration among the faculty members of the Institute.

5.56. The teaching faculty should generally consist of persons drawn from the fields with active experience of work in the promotion of small industries and it would be desirable to rotate the faculty members between teaching and promotional jobs so as to give the desired practical bias to their training activities and teaching methods. The Group also feel that senior officers of the State Directorate and the DCSSIO should be invited as 'guest speakers' to help the SIET Institute in running training programmes on practical lines.

5.57. The recruiting programme of faculty members should be reviewed to secure talent, maturity and practical experience. It may be necessary to allow higher pay in the present scales to attract qualified and experienced people.

5.58. It has been found that the training activity has suffered consequent on the deployment of faculty members on research programmes. The Group are of the view that the teaching faculty members employed on research work should be substituted as early as possible to ensure that there is no set-back to the training programme on account of deployment of staff on research projects.

5.59. The Group feel that top level international consultants who have acquired eminence in the disciplines in question may be drawn to the Institute for a period of three to four months, as collaboration with such consultants will help upgrade the skill and expertise of the Indian faculty. It will, therefore, be desirable to utilise foreign grants to have a small group of foreign consultants to associate with the Indian faculty members of the Institute in specialised fields.

5.60. The Group are also of the opinion that the proper conduct of international courses requires careful planning and preparation. As a preliminary to these courses the Institute's library should be well equipped with adequate material about various developing countries. The training material also need to be prepared and documented carefully before the commencement of the course. Another important facility required for international course is an international hostel and a separate training wing with suitable seminar room. The Group would suggest that necessary funds should be made available to the Institute to enable it to conduct the international courses in a proper atmosphere and with the help of facilities which are absolutely indispensable for such courses.

5.61. The Group feel that the annual grant to the Institute of Rs. 12 lakhs should be adequately increased to enable the Institute to upgrade training facilities and to undertake research projects for building up teaching material without being forced to give priority to projects which are of no direct relevance to the small industry programme, but may yield a sizeable income. The Group would discourage the idea of making the Institute even partially self-paying, as a training institute should not generally be meant so.

5.62. Knowledge and expertise of the faculty of the Institute should be continuously upgraded through retaining in India and abroad. It is suggested that the faculty members should be sent for foreign training in batches of 3 to 4 every year and the Ford Foundation grants which are offered for such training should be availed of to meet the expenses in regard to foreign training of the faculty members of the Institute.



VI. ADEQUACY OF SOME IMPORTANT SCHEMES FOR THE DEVELOPMENT OF SMALL INDUSTRIES

A. *Supply of Credit*

6.1. Liberal flow of credit is essential for a rapid and sustained growth of industry. This is all the more true in case of small scale industries which work with the basic disadvantage of a weak capital structure without access to capital market. The small enterprises do not normally find favour with the regular lending agencies because most of them are not in a position to offer acceptable security. Consequently these units have to borrow money from private sources at exorbitant rate of interest. They have often also to pledge their products at a price below the market.

6.2. The Small Scale Industries which are labour intensive and capital saving, which promote spatial and sectoral dispersal of the Industry and which offer a convenient means for fair and equitable distribution of national income, demand and deserve larger Governmental assistance. Though development of the small scale industries was taken up as a plan programme in the First Plan, this sector witnessed phenomenal growth only in the Second Plan and onwards. The few small scale units that existed prior to 1956 were engaged in conventional lines of manufacture using a few machines and producing simple products. But today the small scale industry has transformed itself into a modern mechanised sector capable of producing quality consumer and producer goods. This transformation warranted a higher order of investment which in turn boosted up the requirements of credit and finance. If the small industry is to grow on the lines envisaged in the Industrial Policy Resolution 1956, the credit requirements of this vital sector are to be fully met.

Credit from Institutional Sources

6.3. Taking cognisance of the problem of financing the small scale industries, Government of India, State Governments and Reserve Bank of India took various measures direct as well as indirect—to extend institutional and Government credit to this sector of the industry. The main object of all such measures taken by various organisations is (i) to increase the flow of finance to small scale units; (ii) to liberalise the terms and conditions of this assistance; and (iii) institutionalise the flow of such assistance. The Second Plan period witnessed the beginning of a positive and definite process of institutionalising finance to the small scale sector. A firm foundation was laid in this direction with the establishment and/or extension of specialised institutions like the State Financial Corporations, the National Small Industries Corporation and the Refinance Corporation of India. The State Governments broadbased the programme of industrial estates and provided extended credit on liberalised terms under the State Aid to Industries Act. While commercial banks as a whole lagged behind in this process, the State Bank of India under its liberalised schemes made some significance advance. Another landmark has been initiation of the Credit Guarantee Scheme by the Reserve Bank of India.

Types of Credit required for Small Scale Industry

6.4. The financial requirements of an industrial units can be divided into two groups, viz. (i) long and medium term and (ii) short-term. The long and medium term financial assistance is needed to acquire fixed assets like land and building, machinery and equipment, etc., while the short term i.e. working capital is needed to hold stocks of raw materials, finished goods, and to meet day-to-day requirements of running an enterprise. The following are the Government and institutional agencies which are providing different types of assistance (shown against each) to the small scale enterprises in the country:—

1. Long and Medium Term Loans

- (a) Loans under State Aid to Industries Act/Rules by the State Governments (Block Loans).
- (b) State Financial Corporations.
- (c) Participation in equity capital.
- (d) Supply of machinery on hire purchase basis by NSIC and SSICs.
- (e) State Small Industries Corporations (SSICs).
- (f) Medium term loans and instalment credit system of the State Bank of India and other commercial banks.
- (g) Built-up factory accommodation in industrial estates (not dealt with in this study).

2. Short Term Capital

- (a) State Bank of India.
- (b) Commercial Banks.
- (c) Industrial Co-operative Banks and others.

3. Credit Guarantee Scheme

- (a) Reserve Bank of India.
- (b) The National Small Industries Corporation.

A brief resume of the working of different institutions and Government Schemes for financing of small scale industries is given below:—

Loans under the State Aid to Industries Act/Rules

6.5. Under the State Aid to Industries Act, loans are available to the small scale units on liberalised terms and conditions from the State Directors of Industries in every State. Now in almost all the States loans upto Rs. 1,000/- are advanced on personal bonds, upto Rs. 5,000/- against one or more personal sureties and above Rs. 5,000/- at 75% of the security offered including the assets created out of the loans. These loans are repayable in easy instalments spread over 10 years and the rate of interest charged is 2½% for loans upto Rs. 2 lakhs to industrial co-operatives and 3% for loans up to Rs. 50,000 to private enterprises. Normally a loan to an individual party is not to exceed Rs. 1 lakh and to an industrial co-operative, Rs. 2 lakhs without the prior concurrence of the Central Government. During the Second Five-Year Plan period, a sum of Rs. 12.91 crores was disbursed to small scale and cottage units under

this Act. However, State-wise spread of this amount has not been uniform. Nearly one-third of this amount was disbursed in the States of Punjab and Uttar Pradesh only. This is so because in Punjab the tempo of small industries development made much headway while in U. P. loans advanced to cottage industries were quite substantial. The disbursement of loans under this programme is of the order of Rs. 17.60 crores during the Third Plan period. During 1966-67 loans disbursed under this head are anticipated to be around Rs. 3.66 crores. A provision of Rs. 4.68 crores is made for the year 1967-68.

Loans Disbursed through State Financial Corporations

6.6. To facilitate expenditure processing of applications and disbursement of loans, Small Scale Industries Board recommended to the State Governments that at least 10% of the block loans should be routed through the State Financial Corporation. Nine State Governments, viz. Andhra Pradesh, Maharashtra, Uttar Pradesh, Punjab, Rajasthan, Orissa, Assam, Kerala and Gujarat have accordingly entered into agency agreements with their State Financial Corporations (SFCs) for disbursing loans to small enterprises. Generally loans above Rs. 10,000 are routed through these Corporations. Out of the total amount of Rs. 12.91 crores disbursed under the State Aid to Industries Act during the Second Plan period, loans amounting to Rs. 1.50 crores had been routed through the SFCs. This is a little more than 10% of total amount disbursed under the Act.

6.7. The loans disbursed by the State Financial Corporations on behalf of the State Governments have been stepped up considerably during the Third Plan period. The amount advanced by different Corporations by 31st March, 1967, is given below:—

					Amount advanced
					(Rs. in lakhs)
1. Bombay State Financial Corporation	..	..	..	..	39.65
2. Andhra Pradesh State Financial Corporation	..	..	..	..	45.86
3. U.P. State Financial Corporation	..	..	..	..	184.70*
4. Punjab State Financial Corporation	..	..	..	..	64.41
5. Assam State Financial Corporation	..	..	..	..	5.93†
6. Rajasthan Financial Corporation	..	..	..	..	7.51
7. Gujarat Financial Corporation	..	..	..	..	21.79
8. Kerala Financial Corporation	..	..	..	..	79.43
9. Orissa Financial Corporation	..	..	..	..	2.13
Rs. ..					411.76 lakhs

*Includes advances out of cold storage scheme.

†Represents amount disbursed from the funds placed at the disposal of the Corporation by the Industries Department—Major Industries Branch.

6.8. Some of the State Governments viz. Bihar, Madhya Pradesh, Jammu & Kashmir, Madras, Mysore and West Bengal have not yet implemented the recommendations of the S.S.I. Board regarding routing of block loans through the SFCs; to that extent, the process of institutionalisation of the flow of finance is being hampered.

6.9. The unsatisfactory progress made by some States in this regard is due mainly to existing procedures and terms and conditions, which are responsible for considerable delay in processing of applications.

Equity Participation

6.10. The principle of State participation in equity capital was stressed in the Industrial Policy Resolution of 1956. During 1957-58 the State Government of Orissa made an attempt in this regard and a special scheme to encourage qualified technical persons with limited capital resources to take up small scale enterprises was introduced in the State. The scheme envisaged the setting up of small scale units by private limited companies in which the entrepreneurs will have at least 10% of total investment, State contributing the balance of 90%. Each unit will be run by the entrepreneur as its Managing Director, the State Government having its representative on the Board of Directors. The entrepreneurs will be given an opportunity to purchase Government shares over a period. Recently, the scheme has been modified converting a part of the Government equity shares into long term loans. During the period 1957-61 as many as 42 companies were floated under this scheme. Out of this only 31 were in production by 1961-62. No new companies have been started under the scheme since 1961-62. The total capital investment by the State Government under this scheme was of the order of Rs. 54.81,390. Out of the 31 companies in production, the number of companies earning profit was 9 in 1961-62 and 16 in 1962-63. From the above facts, it is quit clear that the Orissa experiment has not achieved the desired success. The basic defect of the scheme, it is found, lies in the very high percentage of State participation in the share capital which tends to leave little incentive for the entrepreneur to run the industry with drive and imagination. This method of financing small enterprises is, no doubt, full of potentialities in all the States, but care has to be taken that public funds do not go into wrong hands leading to the failure of the venture.

6.11. Recently, Maharashtra Government has also evolved a scheme for equity participation in the share capital of small industrial units, through the Maharashtra State Small Industries Corporation. Under the Maharashtra Scheme the technicians and technologists will be encouraged to float small scale private limited companies in which the Government will subscribe to the extent of 50% or, under exceptional circumstances even more, and the entrepreneurs subscribing the balance. It has been laid down further that the capital structure of the companies to be set up under the scheme should be such that they will remain at least for more than five years small scale industrial units and should not cross the capital limit prescribed for the small scale units. Excepting Government control on accounts, in all other organisational and technical matters the unit will be free to function as a normal company.

However, there will be a member or two on the Board of Directors to look after the interest of the Government. The scheme came into operation recently and it is too early to judge its impact.

6.12. The Planning Commission in the Draft Outline of the Fourth Five-Year Plan set aside an amount of Rs. 10 crores for facilitating participation in equity share capital of the small scale units through the State Governments. The scheme is yet to be finalised.

6.13. The State Bank of India has recently introduced a scheme for assisting craftsmen and technician-entrepreneurs in starting new small scale units by providing them capital resources. The scheme is being tried on a pilot basis. One limitation of the scheme is that the technician-entrepreneurs have to set up their enterprises in Industrial Estates. Since accommodation is not available in estates located in centres which are considered favourable from industrial growth point of view, the response from entrepreneurs has not been satisfactory. It is too early to judge the progress of the scheme.

State Financial Corporations

6.14. The State Financial Corporations, started under the Act of 1951, are now functioning in almost all the States. These Corporations, in practice, advance loans to meet the long, medium and short-term requirements of small and medium scale units. The short-term loans advanced by S. F. Cs bear a fixed percentage relationship to long-term loans. The rate of interest charged by the Corporation is ordinarily $8\frac{1}{2}\%$ and $9\frac{1}{2}\%$ with a rebate of half per cent for regular or timely payment. Generally the loans to a single enterprise range from Rs. 25,000 to Rs. 10,00,000 and are advanced against 50 to 75% of the value of assets offered as security, including those created out of the loans. Besides interest all incidental charges like stamp duties, mortgage deed, etc. are charged from the loanee units, in most of the States.

6.15. The loans sanctioned and disbursed by the State Financial Corporations to small scale units from commencement of the Third Plan are given in the following statement:—

Year	Number of applications sanctioned	Amount sanctioned	Amount disbursed
(Rs. in lakhs)			
31-3-1961	846	724.87	411.96
31-3-1962	1288	1092.26	607.65
31-3-1963	1541	1308.40	830.89
31-3-1964	1905	1588.59	1103.61
31-3-1965	2208	1780.81	1353.56
31-3-1966	2606	2033.39	1599.32
31-3-1967	3126	2530.27	1929.90

6.16. During the last twelve years loans amounting to Rs. 2530.27 lakhs were sanctioned by the State Financial Corporations to 3126 small scale enterprises out of their own funds. Of this, as much as Rs. 1929.90 lakhs were disbursed. The figures do not include

loans disbursed on behalf of the State Governments under the agency arrangements. The performance cannot be, however, considered encouraging in view of the role assigned to the SFCs for meeting the requirements of term loans of small scale industries. State-wise position regarding loans sanctioned and disbursed by State Financial Corporations is given at Appendix VIII.

6.17. The position as on 31-3-1967 with regard to the small scale and "other units" in this connection was as follows:—

		No. of loans sanctioned		Amount sanctioned		Amount disbursed	
		(Rs. in Crores)					
Small Scale units	..	3,126	(64%)	25.30	(21%)	19.29	(19%)
Other units	..	1,733	(36%)	96.72	(79%)	80.19	(81%)
Total (all units)	..	4,859	(100%)	122.02	(100%)	99.48	(100%)

6.18. It may be noticed from the above figures that although small firms constituted the majority of loanees (64%) yet their share in loans sanctioned and loans disbursed was disproportionately low being only 24% and 19% respectively:—

- (a) The State Financial Corporations have developed a preference for investing their funds in the medium scale units and the bigger among the small scale units, with the result the really small units, which need institutional credit most, are left to fend for themselves or take recourse to hundi system at an exorbitant rate of interest.
- (b) The industry-wise analysis of loans reveals that the bulk of loans/advances has gone to the traditional industries like food processing, oil pressing, textiles, etc. The State Financial Corporations have given very little support to the new and sophisticated small industries, which have come to be established in large numbers in the fields of metal products, machinery, machine tools, electrical equipment, chemicals, etc.
- (c) Small scale industries find it difficult to obtain loans from SFCs because of the cumbersome procedures and the rigorous formalities insisted upon by the State Financial Corporations.
- (d) The security margins retained by the State Financial Corporations are rather high. Most of them did not implement even the recommendations of the Reserve Bank of India regarding margins.
- (e) The State Financial Corporations are security minded and have not been able to imbibe the "development attitude" expected of them.

6.19. The suggestions which have been made to the Group by various agencies to bring the transactions of the SFCs in line with the principle objective of accelerating the growth of small industries are summarised below:—

- (a) As mentioned earlier, only about 19% of the funds of State Financial Corporations are being syphoned off to the small scale sector. In view of the important role assigned to the small scale sector during the successive Five-Year Plans and because of the need to create larger employment opportunities and secure more equitable income distribution, it will be necessary to stipulate that a higher percentage—say a minimum of 60 to 75 per cent of the loanable funds be earmarked for the small scale industries. With the recent revision of definition of the small scale industries to include industrial units with investment up to Rs. 7.5 lakhs in plant and machinery only, considerable proportion of the medium scale units now come into the small scale sector. Therefore, no hardship would be caused to any industrial sector by implementing this recommendation.
- (b) The resources of the SFCs should be considerably augmented by capital and loan resources from the State Governments and subscriptions to capital and bonds from L. I. C., General Insurance Companies, Commercial Banks, State Bank of India, the Reserve Bank of India and the I.D.B. of India. The SFCs should issue debentures, a part of them being taken up and under-written by the I.D.B.I.
- (c) As a main source of long-term institutional finance to the small scale sector, the State Financial Corporations should orient their attitude and outlook so as to inculcate in their staff the developmental outlook which is extremely desirable, if the growing small industries were to be benefited to the desired extent. At present the credit policy is exclusively 'security oriented'.
- (d) In view of the urgent need for institutional participation in the equity capital of the new small scale industries, State Financial Corporations should be required to participate in the equity capital on a selected basis to start with.
- (e) The State Financial Corporations should have a good deal of operational flexibility to overcome the difficulties created by the rigidity of existing procedures to be of real help to small industries which admittedly suffer from a number of limitations including inability to submit audited accounts.

The IDBI should refinance all loans made by the S.F.Cs.

Medium Term and Instalment Credit Loans of the State Bank of India

6.20. Medium-term loans are granted by the State Bank of India to meet the financial needs for purposes of expansion, modernisation, renovation, etc. of the small enterprises. The period of these loans extends upto 10 years and is closely related to the capacity of the

units to repay the loans out of profits. These loans are advanced against a dual security, a charge over the unencumbered fixed assets of units as well as the assets acquired from the loan. In certain cases, a third party guarantee may also be called for by the Bank. The effective rate of interest for medium-term loans granted by the State Bank of India is at present $8\frac{3}{4}\%$ per annum.

6.21. By the end of September 1967, medium-term loans sanctioned by the State Bank of India aggregated to Rs. 3.91 crores.

6.22. Instalment credit loans are advanced by the State Bank for obtaining movable equipment, new or second-hand, as long as the equipment is in a reasonably good working condition. Under this scheme the loanee has to make a down payment of 20 to 25% of the cost of equipment to be purchased while the rest is financed out of the loan. The loans sanctioned under this scheme are to be secured by a charge over the equipment to be purchased, and, if necessary, over the other unencumbered assets of the applicant unit. The unit may as well furnish a third party guarantee in view of hypothecation of assets. These loans are repayable over a period not exceeding 5 years. The finance charge levied on instalment credit loans works out to 9% on outstandings.

6.23. The loans sanctioned by the State Bank of India under the scheme amounted to Rs. 4.14 crores to 984 units upto September 1967. The subsidiaries of the State Bank of India have sanctioned instalment credit loans amounting to Rs. 0.66 crores during the same period.

6.24. In comparison to the medium-term loans the progress of the instalment credit loan scheme is quicker. While only 383 units were assisted under the former scheme, as many as 984 units were sanctioned loans under the latter scheme. The quantum of loans per unit under the latter scheme was, however, much smaller.

Short-term Credit—State Bank of India

6.25. The State Bank of India introduced a Pilot Scheme for co-ordinated credit in March, 1956, in 9 centres and gradually extended it to other centres so as to cover all its branches since January, 1959.

6.26. The State Bank's assistance scheme has two main facts, viz. (i) provision of co-ordinated finance and (ii) liberalisation of terms and conditions for advancing loans to small scale units.

6.27. The scheme is implemented with the assistance of a working group at each intensive centre consisting of the representatives of State Directors of Industries concerned, SISIs, SFCs and the State Bank of India. In each circle of the State Bank, a Local Co-ordination Committee co-ordinates its entire work which at the central level is under the supervision of a Central Co-ordination Committee.

6.28. The main features of the liberalised procedures adopted by the State Bank of India for granting loans to small scale industries are detailed below:—

- (i) Small scale units in manufacturing activities that have good prospects are now entertained for financial assistance by the State Bank and its subsidiaries even if they

do not maintain a satisfactory debt/equity ratio or are unable to provide adequate margins or are unable to go in for the lock and key of advances—the factory type of advances being made available to them in such cases.

- (ii) Accommodation is now allowed against the hypothecation of stock-in-process on the retention of slightly higher margins, if this is genuinely needed by units. (This relaxation is applicable to units borrowing only from the State Bank of India).
- (iii) Margin is now reduced in the case of controlled commodities in short supply and where wide price fluctuations are not apprehended, provided units genuinely require this concession.
- (iv) Letters of credit, inland as well as foreign, are allowed to be established at concessional rates of margin, or even without margin, where necessary and warranted.
- (v) Advances against the pledge of machines (factory type advances) for meeting the working capital requirements of approved units, are now allowed where the units are genuinely unable to get adequate working capital limits against raw materials and finished products alone.
- (vi) The rates of interest applicable to small scale industries have, in general, been reduced in comparison to the rates of interest applicable to other industries.
- (vii) Branches have been authorised to assist approved units in the matter of getting power supply, quotas of raw materials, etc. by forwarding their representations to the concerned authorities.
- (viii) Collateral security was previously being invariably taken for sanctioning overdraft facilities against supply bills drawn on the DGS&D. Branches are now authorised to waive this requirement wherever warranted and necessary. They have also been authorised to reduce margins in suitable cases. (This relaxation is applicable to units borrowing only from the State Bank of India as the DGS&D has not allowed certain facilities in this connection to the subsidiaries of the State Bank of India which he has allowed to the latter). The liberalised scheme of the State Bank of India is being operated by its subsidiary banks also.

6.29. With a small beginning in 1956, the State Bank of India credit to small scale industries has made a substantial progress. The working capital limits sanctioned and in force increased from Rs. 10.70 lakhs in 1956 to Rs. 12.56 crores by 31-3-1961. As on 31st December 1967, the working capital limits sanctioned and in force were of the order of Rs. 108.86 crores (Rs. 84.99 crores by the Bank and Rs. 23.87 crores by the subsidiaries). Under the scheme 16,951 small scale units were benefited.

6.30. The amounts advanced by the State Bank towards working capital requirements of small scale industries from 1962 onwards are given in the following statement:—

Year	No. of units assisted	Progressive Totals		
		Limit sanctioned and in force	Outstanding	
(Rupees in lakhs)				
31.3.1962	..	3,425	1,408.08	651.51
31.3.1963	..	4,020	1,899.15	929.96
31.3.1964	..	5,227	2,675.69	1,283.42
31.3.1965	..	7,756	4,339.00	2,202.03
31.3.1966	..	11,528	6,565.22	3,426.45
1.3.1967	..	14,275	8,560.00	4,460.00

6.31. These figures indicate that significant progress has been achieved by the State Bank of India in advancing working capital loans to small scale enterprises. Particularly these advances have considerably increased from the second half of the Third Plan period. However, taken as a whole, the credit made available by the State Bank of India and its subsidiaries is still far from being adequate in relation to the needs of the small scale sector. Even at present nearly 85% of the financial needs of the small industries (including the non-registered firms) are sought to be met from non-institutional sources.

6.32. The inadequacy of credit assistance for working capital will also be apparent from the number of units benefited as a percentage to the total number of small scale units in the country. As against nearly one lakh twenty thousand small enterprises registered with the State Directors of Industries, little over 17,000 units or 14% of the units have received financial assistance from the State Bank of India and its subsidiaries. If another two lakhs units under the potential coverage of the Small Industry Development Programme, but not yet registered with the Directors of Industries are taken into account, the percentage of units assisted will come down to 5% only.

6.33. Financing of small scale industries, according to the State Bank of India itself, presents problems of administration as well as organisation—the most important being those relating to 'staff attitudes'. In spite of several measures initiated by the Bank for bringing about the desired change, the progress achieved so far does not indicate required transformation in the 'staff attitudes' in all branches of the Bank.

6.34. Stipulation of high margins while giving 'cash credit' facility against security offered, or while opening a letter of credit for import of raw materials have aggravated the financial problems of the small industrialists. Because of the high margins retained by the Bank, it is not possible for the small industrialists to get adequate advances even against hypothecation of raw materials, finished goods, etc. According to the State Bank of India, the units with a satisfactory credit standing and performance may enjoy substantial relaxation in

the matter of margin. However, generally speaking, in the case of small scale industries, the margins retained are very high and rarely below 25%.

6.35. Units having borrowing facilities from the SBI, it seems, have still to resort to the Hundi system and non-institutional private sources, which is an indicator of the inadequacy of the credit facilities provided by the State Bank of India.

Commercial Banks

6.36. Commercial Banks are also advancing short-term loans to the small scale units, though these banks do not have comprehensive scheme as are being operated by the State Bank of India. Data regarding their contribution towards supporting the small enterprises is also scanty. According to the Reserve Bank of India, the total loans advanced by the Commercial Banks during the Third Plan period towards working capital purposes amounted to Rs. 51.1 crores. But it may be added that bulk of the advances from the Commercial Banks (excluding the State Bank of India) were given to the conventional industries like rice mills, flour mills, oil crushing units, cotton ginning and pressing units etc. which do not come under Small Industries Development Programme.

Co-operative Banks

6.37. Though it is known that some industrial co-operative banks, especially urban banks, are evincing interest in financing small enterprises, the contribution of the co-operative banks in meeting the credit needs of these units, especially those owned by private entrepreneurs seems to be marginal.

Credit Guarantee Scheme

6.38. The Reserve Bank of India, as the agent of the Government is operating the Credit Guarantee Scheme since July 1960. The scheme now covers the entire country and is drawn up in such a way that the financial institutions advancing short term or long term loans to small scale units will be able to recoup a substantial part of their loss, if any, under the scheme. The amount so recoverable varies with the amount of the loan as well as the ultimate balance in default, the cover being higher for the smaller loans. The scheme has given full incentive to commercial and co-operative banks and State Financial Corporations to advance loans in a big way to small scale units. The progress of the scheme is detailed in the following statement:—

(Amount in crores of rupees)

	At the end of						
	March 1961	March 1962	March 1963	March 1964	March 1965	March 1966	March 1967
No. of districts covered ..	26	52	Whole country				
Applications received (Cumulative) Nos. ..	610	2,523	4,984	9,799	17,854	31,109	48,912
Guarantees issued (Nos. Cumulative) ..	566	2,348	4,589	8,640	14,581	27,008	41,552
Amount Guaranteed ..	1.75	7.63	16.60	32.76	58.70	106.56	159.62
Guarantee Outstanding No. ..	N.A.	1,830	2,318	4,218	6,687	12,816	16,924
Amount ..	N.A.	5.97	8.91	16.55	28.21	49.70	69.06

6.39. It is not necessary under the scheme for the financial institutions to enforce the security or resort to legal remedies before invoking a guarantee. It is sufficient if the default in the borrowed account occurred during the period of the guarantee and the default was intimated to the Reserve Bank within 15 days from the date of expiry of the guarantee. No limit is specified after this stage for invoking of the guarantee by the financial institution. However, when a guarantee is invoked the amount payable is required to be paid within 30 days of the receipt of the claim by the Guarantee Organisation. Thereafter the financial institutions should take such steps as may be necessary for realising the balance and the recoveries should be shared between the Government and the financial institutions in the prescribed manner. Thus in making an assessment of the experience under the scheme the following factors are to be taken into account:—

- (i) the accounts in respect of which there have been defaults (normally default occurs a few years, say two or three, after an advance is granted);
- (ii) the account in respect of which claims have been preferred and paid (the financial institutions normally invoked a guarantee only in extreme cases); and
- (iii) the extent of recoveries in the claim paid account, which will be spread over a period of years from the date of payment of the claim; the ultimate balance which will prove to be irrecoverable alone can be deemed as loss. Thus a claim will materialise only after a lapse of a few years and the determination of the loss will take a further period of time.

State Bank of India & NSIC Guarantee Scheme

6.40. In January 1959, the State Bank of India in collaboration with the National Small Industries Corporation, introduced a Guarantee Scheme whereby a small scale unit participating in the Government purchase programme could get financial assistance from the Bank for the purchase of raw materials. This scheme initially did not prove popular because all the credit facility covered only one stage of the supply. After necessary modifications the new scheme, which is known as NSIC Guarantee Scheme No. 2, has been introduced since 1st March, 1965. This new scheme which meets the financial needs of the small scale units for executing the Government contracts covering all stages of production from the purchase of raw materials to the discounting of bills. The scope of Government contracts is also enlarged to include orders from Central Government or State Government Agencies including public sector undertakings. Under the National Small Industries Corporation Guarantee Scheme No. 2, 22 units have been assisted as on 30-9-1966. The total limits/liabilities in force during this period amounted to Rs. 9.35 lakhs.

6.41. According to the State Bank of India the scheme is expected to gain further momentum. It is understood that a scheme is under review with a view to removing some of the procedural difficulties presently experienced in its working. The scheme at present does not apply to subsidiaries.

6.42. The State Bank of India and its subsidiaries account for the bulk of the guarantees issued so far, in view of the policy decision taken by these banks to cover all their advances to the small scale sector under the Credit Guarantee Scheme. Commercial Banks have not shown much interest in the scheme as yet. It is expected that the advances made and preferred for guarantee by these banks will increase substantially in the near future.

6.43. Though the number and amount of claims paid so far has not been significant, the number and amount of defaults reported to the Guarantee Organisation are on the increase. It is too early to say what proportion of this amount will result in claims. It cannot, therefore, be stated that so far there has been sufficient experience of the working of the scheme.

An Appraisal

6.44. The small scale industry sector has been getting a small fraction of their credit requirements from institutional sources. In fact, it has been assessed through surveys conducted by the Organisation of the Development Commissioner (Small Scale Industries) that on an average only about 20 per cent of the credit needs of the small scale sector are being met by institutional sources, the contribution of non-institutional sources, including the loans given by friends, relatives, etc. and the capital provided by the entrepreneurs themselves amounted to about 80 per cent. In this connection it would be interesting to refer to the volume of assistance given by different institutional sources to industries in general during the Third Plan period. The relevant figures are mentioned below:—

(Crores of Rupees)

	Loan	Underwriting and direct subscriptions	Total Assistance	
			Sanctioned	Disbursed
IDBI ..	111.5	13.5	125.0	79.4
IFCI ..	131.2 (24.5)	19.8	151.0	90.4 (8.8)
ICICI ..	83.0 (56.1)	23.1	106.1 (56.1)	65.5 (35.5)
co-FCs ..	90.5	8.7	99.2	67.0
co-IDCs ..	1.3	10.8	12.1	5.6
Sub-total	417.5 (80.6)	75.9	493.4 (80.6)	307.9 (44.3)
UTI ..	..	11.1	11.1	9.5
LIC ..	16.7	52.2	68.9	46.5
Sub-total	16.7	63.3	80.0	56.0
Grand Total	434.2 (90.6)	139.2	573.4 (80.6)	363.9 (44.3)

NOTE—Figures within brackets relate to foreign currency loans, which are on pre-devaluation basis.

Source:—Annual Report of IDBI.

6.45. It will be seen that an amount of Rs. 573.4 crores was sanctioned by various financial institutions during the Third Five Year Plan for all types of industries—large, medium and small, but excepting an amount of Rs. 13.08 crores advanced to small scale industries by State Financial Corporations, the entire assistance went to large scale industries.

6.46. It may also be mentioned that out of a total bank credit of Rs. 2346.8 crores at the end of March, 1966, industry claimed Rs. 1509.8 crores. Of this, the amount available to small scale industries was Rs. 90.8 crores or approximately 6 per cent of the total bank credit to industry, excluding the credit provided to conventional industries like the rice mills, flour mills, oil and dal mills, cotton ginning and processing, etc. Out of the total bank credit supply available in the country, therefore, the large scale sector received 66 per cent and the small scale sector less than 4 per cent, though the contribution to national income of these sectors was 5 per cent and 3 per cent respectively.

6.47. It has been estimated that the investment in fixed assets in the small scale sector is likely to reach the figure of Rs. 670 crores at the end of the Fourth Plan (1973-74) as against Rs. 480 crores in 1968-69. This means that the additional fixed investment during the Plan period would be of the order of Rs. 190 crores. Besides, Rs. 70 crores will be needed toward replacement and renovation of 25 per cent of the plant and machinery valued at Rs. 282 crores at the end of 1968-69. A provision of Rs. 27.5 crores has also been suggested for the special programme of modernisation of specialised industries. In all, therefore the additional fixed investment needed by this sector would be of the order of Rs. 300 crores at least by the end of the Fourth Plan period. In addition, working capital requirement would be of the order of Rs. 700 to Rs. 800 crores by the end of 1973-74. If the entrepreneurs themselves provide about one-third of the finance required, it would be still necessary for institutional sources to provide fixed capital to the tune of Rs. 200 crores and working capital of the order of Rs. 470 to 540 crores. It may be mentioned that the Credit Sub-Committee of the Small Scale Industries Board has put the fixed capital requirement of the small scale sector at Rs. 425 to Rs. 480 crores by 1973-74 and the working capital requirement at about Rs. 700 crores.

6.48. The future policy and programme for building a modernised self-reliant small industry sector has to take into account the imperative need for a balanced allocation of resources as between the small and the large scale industries. This is essential particularly in view of the positive contributions made by the small scale sector in creating employment, facilitating better spatial distribution of industry activity and ensuring more equitable distribution of national income. It would be appropriate to allocate at least one-third of the total bank credit meant for industries for the development of small scale sector under the Fourth Five-Year Plan.

6.49. It would be pertinent to review some of the suggestions and views expressed by concerned agencies including the Reserve Bank of India, the State Bank of India, etc. on the question of supply of credit to the small scale sector: The Reserve Bank of India has

highlighted the need for greater responsiveness on the part of commercial banks to the needs, active and latent, of small industries, larger measure of financial support to the State Financial Corporations by the State Governments, a clear definition of the areas of operation for other financial and quasi-financial institutions set up by the State Govts., streamlining of existing policy and procedure of banks and other financial institutions and a much greater degree of co-operation among all these bodies under a co-ordinating agency at the State level.

6.50. It has been opined that allocation of special quotas out of the resources of existing financial institutions to cater to the needs of small scale industries may not be very useful as in the absence of adequate number of applications from the small scale sector, the quotas may remain unutilised and banks and financial institutions may suffer a relative loss of income on the unutilised funds.

6.51. It has been suggested that the small scale industries being scattered throughout the country, there is an advantage in financing them through a number of agencies. Each type of financing agency should devote its attention to one type of financing, namely the State Governments may provide finance under the State Aid to Industries Act to very small units to meet their developmental needs as they may not be normally considered as worthwhile 'banking risks', the State Financial Corporations may concentrate on medium and long-term financial requirements and commercial banks may cover working capital needs of the small scale sector. Suggestions received stress the need for adequate co-ordination between different agencies and machinery should be set up to ensure that finance of different kinds is available in time to small industries. Although the State Bank of India tries to achieve some measure of co-ordination through Local Co-ordination Committees an effective machinery for co-ordination is still wanting.

6.52. On the question of reduction in the rate of interest, the consensus of views appears to be that the real need is for larger and timely credit than for credit at a cheaper rate. It has been argued that the reduction in the rate of interest may not be of any real benefit to the small scale enterprises but it may create complications by diversion of resources through small units to other sectors and by unfavourable movement of the debt-equity ratio.

6.53. The grant of loans under the State Aid to Industries Act has been criticised as the departmental agencies generally do not take into consideration the nature and prospects of the industry, viability of the schemes and marketability of the products. The financial assistance is neither need-based nor development-oriented.

6.54. Some portion of the funds at the disposal of the State Governments are given to the State Financial Corporations as agency loans. Even here the S.F.C. is to follow the terms and conditions imposed by the State Governments. In Maharashtra, there is no agency loan by the S.F.C. but the State Government guarantees the loan given by the Corporation out of their own funds and subsidises the rate of interest. In Madras, there is no agency system at all and loans are given directly by the Government. It has been suggested

that the present agency system should be considerably modified on the Maharashtra pattern and adopted in all the States for canalising the loans under the State Aid to Industries Act through the institutional agency.

6.55. The S.F.Cs. have not devised different standards for small industries in respect of margins, financial analysis based on audited balance sheets, etc. and the same working rules as are applicable to medium scale units have been flatly applied to small industrialists. There is still no change in procedure and approach to link disbursements to plant performance rather than to securities.

6.56. The financial institutions have a built-in prejudice against advancing of loans to small units on account of high operative expenditure. It has been stated that they find it more profitable to give larger loans to a few parties rather than smaller loans to a number of parties. Therefore, the question of ensuring a fair return by the Government and the Reserve Bank of India on transactions with small scale units has been raised. Such inducements as lower rate of interest on refinancing, special advantages in borrowing from Reserve Bank of India, subsidies in initial years to cover up operating costs have been suggested to facilitate the flow of finance to the small scale sector.

6.57. The main grievance of small scale industries against the State Bank of India relates to the retention of high margins while giving cash credit facilities against security of stocks or while opening letters of credit for import of raw materials and the procedural delays in sanctioning the credit limits. It has been stated that while only 10% margin was required to be kept against imported raw materials before devaluation, it has now been raised to 25 per cent. In the matter of instalment credit loans and medium-term loans a margin of 25 to 30 per cent required at present has also been considered too high.

6.58. Opinions have been very much divided on the need of setting up a specialised financial institution for the small scale sector. According to the views of those who do not favour the setting up of such a specialised financial institution, it will be more appropriate to make use of the numerous agencies already in the field instead of trying to add to the number of institutions for giving credit to the small scale units. The State Bank of India was definitely of the view that it would be better to take advantage of 2,000 branches of the bank instead of opening a new institution with much fewer branches, in view of the shortage of trained personnel and huge overhead expenses involved in opening such a new institution with branches. The problem can be tackled by encouraging the existing financial institutions to come forward with more liberal assistance to the small scale sector.

6.59. The view has also been expressed that irrespective of whether a separate institution is set up or not, there is need for an agency, either as a part of the I.D.B. or of the Reserve Bank of India, to give elective support to the financial institutions by way of additional financial assistance, refinancing, dissemination of market intelligence and meaningful information regarding small

industries for the benefit of the banks and financial institutions concerned. Such a body may also help in providing regular funds for equity participation, additional guarantee, etc. to enable banks to willingly and gradually reduce the rigour of their standards and liberalise the procedure for financing small scale units.

Suggestions of the Group

6.60. The Working Group are definitely of the opinion that the flow of institutional finance to the small scale sector should be enhanced to cover bulk of the requirements of the small producers for different types of credits and that the small scale sector should get its proper share of the industrial credit, more or less in proportion to its contribution to the industrial production, employment and in keeping with its role in the national economy.

6.61. The social control over banks should be so exercised as to yield concrete results in favour of small scale industry sector in the form of easier availability of credit through greater reliance on the techno-managerial competence and viability of the units. The credit policy should be operated with a bias in favour of the small man who may not be considered satisfactory banking risk in the conventional sense, but is otherwise sound from the techno-managerial point of view.

6.62. The Organisation of the Development Commissioner and also the Small Industries Associations should put in a special effort to convince the small industrialists about the need and importance of adopting modern accounting methods so as to be able to give facts and figures regarding their credit worthiness for the satisfaction of the lending institutions.

6.63. A suitable machinery should be set up at the State level to ensure effective co-ordination among the different financing agencies so as to avoid duplication and overlapping, and to provide the credit requirements of small scale units on an integrated basis. Such a co-ordinating body should have representation not only from the financial institutions concerned, but also from the small industries sector, the State Director of Industries, the Reserve Bank of India and the Chairmanship of the Organisation should preferably go to the Director of Industries as the State Government is to function as the 'central driving force' in the development of small scale industries within the State.

6.64. It is necessary to encourage the provision of equity capital by financing institutions to educated and technically qualified young entrepreneurs as well as experienced technicians, subject to techno-economic feasibility of their schemes. The Reserve Bank should consider provision of additional guarantees to induce financing institutions to advance loans by way of equity capital to help a large number of prospective entrepreneurs set up small scale industries in new and sophisticated lines. The concept of the equity and what constitutes the debt-equity ratio will have to be given a new dimension in terms of a positive policy of promotion of small scale industries.

6.65. Block loans under the State Aid to Industries Act may be utilised by the departmental officers to finance artisans and small units in villages and small towns provided the amount of loan does not exceed Rs. 10,000. All loans under the Act in excess of Rs. 10,000 should be institutionalised and canalised through the S.F.Cs. who should make advances to small industrialists under the Act out of their own funds. The difference in the rate of interest as charged by the S.F.C. on such loans and their usual lending rate should be subsidised by the State Government.

6.66. It is found that contribution of the working fund of the State Financial Corporations by the State Governments is to the extent of 6 to 7 per cent and that by the Reserve Bank of India and the Industrial Development Bank of India (IDBI) is 20 to 23 per cent and 30 to 33 per cent respectively. The contribution of Life Insurance Corporation, Co-operative Banks and individuals amounted to 35 to 38 per cent. Internal resources from plough bank of profit accounted for about 2 per cent of the working funds. It is absolutely necessary to augment the resources of the S.F.Cs. by enhanced capital and loan contribution from the State Governments, subscriptions to capital and bonds from LIC, General Insurance Companies, Cooperative Banks, State Bank of India, Reserve Bank of India and IDBI liberal refinancing and underwriting of debentures of the S.F.Cs. by Industrial Development Bank. The refinancing by the IDBI should be automatic when credit guarantee is obtained.

6.67. The State Bank of India should adopt a bolder credit policy towards small industries by allowing higher credit limits and reducing the margins retained by them so as to accelerate the flow of credit to small scale units. The whole question of margins should be reviewed in the interest of the rapid development of the small scale sector as the retention of high margin has been acting as a damper on small scale industrialists' eagerness to get financial accommodation from the State Bank of India.

6.68. The State Bank of India should encourage the grant of 'factory' type loans for working capital on a more liberal basis and also allow clean advances to clients with good records about loan repayment and operational performance. The smaller units who are without regular books of accounts but who have established their competence in the production and marketing of their goods should be covered by the State Bank of India under their liberalised scheme and should be encouraged to apply for credit limits from the Bank. The Organisation of the Development Commissioner, Small Scale Industries, should make special efforts to train them in book-keeping according to a simplified system.

6.69. Hitherto the institutional credit has gone to relatively big and better organised units and also to conventional industries. The smaller units numbering 1.5 lakhs, which numerically and otherwise form the 'corpus' of the sector are as yet outside the pale of institutional finance. It is absolutely necessary to extend the benefit of the liberalised credit scheme to such units to wean them away from non-institutional sources which are advancing loans to them at exorbitant rates of interest.

6.70. The State Bank of India should arrange for the training of their Branch Officers and staff in the Small Industry Extension Training Institute to give them proper orientation for the implementation of the new credit policy as the staff attitude or prejudice is an important drawback tending to neutralise the effect of the liberalised credit policy.

6.71. The instalment credit granted by the State Bank of India should be simplified further and the margin may be brought down to 20 per cent from the usual 30 per cent. The period of loans under the scheme may be extended from the present limit of 5 years to that of 10 years in the case of loans exceeding Rs. 50,000/-.

6.72. The Commercial Banks need radical change in their outlook and attitude to the grant of loans to small scale units. The Reserve Bank of India may call for periodical returns showing the loans to small scale industries by specified categories of industries and also by size of the applicants' investment in fixed assets.

6.73. It is estimated that the Commercial Banks will have to make about Rs. 300 crores available to the small scale sector by way of loans to meet their working capital needs by the end of the Fourth Plan period. The Reserve Bank of India may consider incentives to be offered to the Commercial Banks for giving loans to small scale units on the same basis as the State Bank of India under their liberalised scheme.

6.74. While the Indian Banks' Association may set up regional agencies for giving expert help to the commercial banks to prepare technical assessment reports on the applications for loans, the important commercial banks should set up their own technical wings at least at their local head offices to expedite the processing of loan applications.

6.75. It is felt that the discrimination shown against the weaker section of the small scale sector in the matter of institutional finance because of certain built-in deficiencies cannot be easily overcome even in the context of substantial liberalisation of the credit policy under the new social control scheme. Since this segment of small industries is in the aggregate a very important sector from the point of view of its contribution to both employment and production, necessary measures would have to be adopted to see that it is not starved for want of finance as at present. The Reserve Bank of India and the Ministry of Finance may give their anxious consideration to the desirability of adopting special measures to help this segment of the small scale sector which suffers from certain inherent disabilities, if the operation of the new policy of social control over the bank assistance fails to improve the supply of institutional credit to these enterprises. These units not only have to secure loans from non-institutional sources at an exorbitant rates of interest but often have to mortgage their products to the lenders at a lower price than what they would fetch in the market. The Group feel that this type of exploitation of the weaker sector by the money-lender should not be allowed to continue.

6.76. The Group feel that in order to substantially augment the supply of credit to the small scale sector in future it would be desirable for the Government to examine the feasibility of allowing such State level institutions as the State Small Industries Corporations to take up direct financing of small industries.

(B) Supply of Raw Materials—The Small Scale Sector

6.77. One big draw-back of the small scale sector has been the limited availability of raw materials of the right type. The small scale sector has grown at a rapid rate during the last few years but the availability and allocation of raw materials to this sector has always found to be far short of requirement resulting in the forced purchase from the open market at a much higher price and non-utilisation of capacity of small scale industries to a considerable extent. The Committee on Scarce Raw Materials which was set up under the Chairmanship of Dr. P. S. Lokanathan had reviewed the position a few years back and estimated that the needs of the sector had been met only to the extent of 33 to 40 per cent, whereas the large scale could get their requirements almost in full.

6.78. Till about 1957, the Development Wing of the Ministry of Commerce and Industry was assisting the industries in the procurement of raw materials either of indigenous or imported varieties. Since then the Development Commissioner (SSI) and the State Directors of Industries have been brought into the picture and started giving assistance to small scale industries in scarce indigenous raw materials and in sponsoring applications for imported raw materials, components and parts. The DCSSIO as the Central Co-ordinating Authority represents the small scale sector as a whole at various allocating authorities like the Ministry of Industrial Development and Company Affairs, Chief Controller of Imports and Exports and Iron and Steel Controller. It seeks to procure adequate allocation of raw materials and foreign exchange for the entire small industries sector and allocate the same to different States. This Organisation also gives general directions regarding priorities to be observed in the allocation of raw materials to the small scale industries sector.

6.79. From time to time, the Small Scale Industries Board has been appointing Standing Committees, Sub-Committees, etc., to examine the problem of raw materials and make suitable recommendations. The Development Commissioner (SSI) plays an important and major role in these Committees. The first Sub-Committee which was appointed by the Small Scale Industries Board made a thorough Study of the requirements of the small scale sector for various types of raw materials including steel, indigenous and imported, spare parts and components, pig iron, non-ferrous metal, coal and coke, various chemical raw materials, etc. The allotment of separate ceilings of foreign exchange for the import of components, spares, parts, etc. licensable by the Chief Controller of Imports and Exports commenced from the quarter July—September 1957 when a ceiling of Rs. 50 lakhs was earmarked on an ad hoc basis for the small scale sector. There had been continuous increase in the ceiling over the subsequent years and it stood at Rs. 6.2 crores in the half year April—September, 1968.

6.80. The raw material position became very acute subsequently and the Lokanathan Committee on Scarce Raw Materials which was appointed in 1966, drew attention to the invidious distinction between the large scale and small scale sector in the matter of allocation of scarce raw materials and recommended that the distribution of raw materials should be based on priority of the end products, irrespective of the sector of the industry in which these were being produced. The Committee in fact recommended that there should not be any discrimination between the two sectors in the matter of allocations of scarce raw materials. The Committee, however, recommended that the requirements of the small scale sector should be scientifically assessed by the State Directors of Industries in collaboration with the DCSSIO so as to ensure that the allocation of raw materials of scarce category between the large scale and small scale sectors should be done on an equitable basis. The Committee also recommended that a system of inspection of the utilisation of raw materials should be introduced by the State Directors of Industries with the help of the staff of the Small Industries Service Institutes to ensure that the raw materials were in fact used for the purpose for which they were allotted.

6.81. Following devaluation of the Rupee, the import policy underwent a radical change with the introduction of import liberalisation. This liberalised scheme envisaged liberal import assistance of raw materials, components and spares to industrial establishments for fuller utilisation of their existing capacities. The entire industrial sector was divided into two categories, namely priority and non-priority. A close scrutiny of the list of priority industries reveal that out of the 59 industries included therein, only in 32 industries liberalisation has benefited the small scale sector. Of these 32 industries, it is only in the case of 12 industries in which there is sufficient installed capacity in the small scale sector that appreciable benefit accruing from liberalisation has been availed of. These industries are: bicycle and parts, pesticides, machine tools and accessories, electrical cables and wires, industrial fasteners, scientific and industrial instruments, medical and surgical equipment and appliances, automobile ancillaries, leather goods industries, paints and varnishes, enamels, matches and leather. As per terms of import assistance prescribed under the scheme of liberalisation, these industries are entitled to draw their full requirements of maintenance imports and could then utilise their installed capacities to the fullest extent.

6.82. The policy announced for industries in the non-priority sector was less liberal as compared to industries in the priority sector. Units engaged in industries other than priority are eligible for the grant of licence once in a year covering their annual requirements, whereas those on the priority list can import their requirements as frequently as they need, after utilising their previous import licence to a specified extent. Moreover, the latitude in respect of sources and areas of import is much greater in the case of priority industries. As most of the small scale industries fall in the group of non-priority sector these have not been able to utilise their capacities to an appreciable extent due to inadequate availability of the imported raw materials. The restrictive formula for grant of import licences on repeat basis to non-priority industries has had an adverse

effect on the growth of the small scale sector and has been responsible for persistent under-utilisation of production capacities. The priority list covers 80 per cent of the large scale industries while roughly about 40 per cent of the small scale industries are covered by the said list.

6.83. The Group feel that the present clarifications which discriminate against the small scale sector should be reviewed with a view to bringing some of the important small scale industries within the priority group in view of their importance in terms of contribution to employment and output of the industrial sector in the country. The Group would, therefore, suggest that such important small scale industries as plastic conversion products, dyestuff, clocks, time-pieces, wire drawing, both ferrous and non-ferrous etc. should be included in the priority list of industries. Although it is true that the plastic conversion industry is likely to become self-sufficient in the matter of supply of basic raw material from indigenous sources, it will be of considerable help to the industry to tide over the prevailing shortage of such materials as high density polythene granules, which is likely to continue for quite sometime.

6.84. It is also understood that the present classification of priority industries does not show industries ancillary to priority industries as belonging to this group, with the exception of bicycle and automobile industries. There is a feeling that all industrial units functioning as ancillary to priority industries should be given priority treatment for the purpose of import of raw materials, components and spares, etc.

6.85. The Group feel that the present discrimination in the matter of classification of ancillaries (with two exceptions only) as non-priority is acting as a handicap to the growth of the ancillary industries sector and there is every justification for such units getting import assistance in line with those in the priority category. In order to do away with the administrative difficulties with regard to the classification of ancillary industries, the Director of Industries or the Director of the Small Industries Service Institute may be required to issue a certificate to deserving ancillary industries for according them priority treatment in respect of import assistance.

6.86. The Group have been given to understand industries which are covered under the Industries (Development and Regulation) Act, 1951, can diversify their production by manufacturing new items that fall under the list of priority industries and for that purpose additional imported raw materials would be granted to them. The Group have been told that the aforesaid relaxation does not apply to industries in the small scale sector as such industries do not get covered under the Industries (Development and Regulation) Act, 1951. The Group feel that a number of small scale units in the non-priority sector could be induced to diversify their production by manufacturing items classified in the priority list, if liberal import facilities are made available to them as is being done in the case of their counterparts in the large scale sector. At present there is no scheme under which a small scale unit can avail of additional import of raw materials by diversifying its production. The Group would, therefore,

suggest that the above relaxation should also be extended to small scale industries to the extent to which it is applicable to units covered under the Industries (Development and Regulation) Act, 1951.

6.87. At present, actual users engaged in the priority industries are permitted to import their requirements of copper, zinc, lead, tin, nickel, and E.C. Grade aluminium direct. Units engaged in other industries are issued release orders by the licensing authority for import of material through the Minerals and Metals Trading Corporation. For one reason or another, the MMTC have not been able to import material against the release orders issued to the small scale industries for 1967-68. Industries in the non-priority sector being already handicapped because of their meagre entitlement, the non-supply of the material to them has added to their difficulties.

6.88. The Group are of the opinion that where the MMTC have not been able to effect physical delivery of the material within three months against the release orders issued on them, such release order(s) should be automatically converted into import licence(s) and the actual users should be allowed to import direct.

6.89. The Statutory Control over prices and distribution of all categories of Iron and Steel has been withdrawn with effect from May 1, 1967. Even after the de-control certain categories of steel like Galvanised Plain Sheets, Black Plain Sheets of 16 to 20 G. and thinner than 20G, Galvanised Corrugated Sheets and M.S. Plates continued to be in short supply. These categories are known as "scarce categories" of steel. In view of the difficulties being experienced by small industrial units in getting supplies of scarce categories after de-control of steel, it was decided that supplies of these categories to small units should be made through State Small Scale Industries Corporations. The State Small Industries Corporations would bulk the requirements of small units in their jurisdiction and place a consolidated indent with the Joint Plant Committee for planning on producers. The orders placed through the State Small Industries Corporations should also be allowed priority to the extent possible by the Steel Priority Committee.

6.90. This arrangement to safeguard the interests of small scale industries, has not produced the desired result, as there are long delays in processing of indents from small scale sector and supplies against orders passed by the Steel Priority Committee and, as such, the agreement to accord priority to the needs of the sector has remained mostly on paper. The Group feel that in processing the indents, the Joint Plant Committee should keep in view the special interests of the small scale sector in future and help expedite decisions without any undue time-lag.

6.91. Statutory control over the distribution and prices of E.C. Grade indigenous aluminium has been lifted recently. As a result of this the actual users will be required to procure their requirements from the open market. It is a common experience that the lifting of control on scarce raw materials in the past has operated to the disadvantage of the industries in the small scale sector. The main producers of aluminium being under the control of the Directorate-General of Technical Development, the small scale units often face

difficulties in getting their requirements from them. Besides, the requirements of small scale industries being meagre, the producers do not generally observe their specifications and time schedule for the delivery.

6.92. The Group are of the opinion that, to start with, at least 15 per cent of the indigenous production of E.C. Grade Aluminium should be reserved for the small scale sector for distribution on the recommendation of the Director of Industries of the State concerned. Alternatively, the Ministry of Steel, Mines and Metals, Department of Mines and Metals should work on a system whereby the main producers should assure regular and adequate supplies of the material at reasonable price to the small scale industries.

6.93. For the first time in 1967-68 an allocation of 423 tonnes of indigenous zinc was earmarked for the small scale sector. Many of the State Governments are reluctant to take the delivery of the material against their allocation on account of high price. It has been reported that as against the ruling market prices of imported zinc at Rs. 3,400 per metric tonne, the indigenous electrolytic zinc would cost the actual users about Rs. 4,000 per metric tonne. It is felt that unless the price of the indigenous zinc is brought down at least to the level of the imported material, the small scale industries would not be able to get any real benefit out of indigenous materials.

6.94. The Group would, therefore, suggest that the Department of Mines and Metals and the Director-General of Technical Development should consider the desirability of equalisation of the prices of the indigenous and imported materials, as was done earlier in the case of steel. The Group would also like to emphasize the need for bringing down the price of indigenous zinc to make it competitive with the imported zinc.

6.95. Although the supply position of imported raw materials has shown some improvement after import liberalisation, the position with regard to certain indigenously produced scarce raw materials continues to be difficult. The Lokanathan Committee on Scarce Raw Materials had in fact recommended that in regard to indigenous raw materials such as aluminium, basic organic chemicals and intermediates including dyes, basic inorganic chemicals like caustic soda, soda ash, titanium dioxide, pharmaceuticals and drugs, plastics, synthetic and natural rubber etc. should be made available at reasonable prices to the small scale industries. Another complication is caused by the fact that the large scale producers of basic materials, semis and intermediates also manufacture the end products themselves and thus offer unfair competition to the small scale units producing only the end products, by offering the finished goods to the market at a price which is considerably lower than the price of the small scale units.

6.96. The Group would also like to endorse the suggestion made to them that the large scale processors of technical materials should not be allowed to engage in the manufacture of finished products themselves except for the use of captive capacity.

6.97. The question of using legal powers to ensure proper distribution of indigenous raw materials to the small scale sector has been raised by several Directors of Industries and it has been pointed out that the Government is empowered under the Industries (Development and Regulation) Act *vide* Section 18(G) *ibid*, to earmark a certain percentage of the domestic products even at subsidised prices, if necessary, for the use of small scale sector and to canalise the distribution of the raw material to the small scale units in the different States through the appropriate agencies designated in this behalf.

6.98. The Group feel that there is nothing wrong in exercising the powers vested in Government under the Act to direct scheduled industrial units (large scale processors) to make compulsorily available a portion of their production at reasonable prices for the use of the small scale sector, in view of the importance of maintaining production and employment at a steadily increasing level.

Canalisation of Import

6.99. There are certain raw materials which on account of Trade Plan provisions are canalised through the agency of MMTC and STC. These agencies import raw materials against consolidated demands placed with them by the State Directors of Industries on behalf of the small scale units in their jurisdiction. Among the items imported by these trading agencies for and on behalf of the small scale sector, mention may be made of glass tubes, mutton tallow, coconut, chilian nitrate, palm oil, G.P. sheets thinner than 16 gauge, BP Sheets (hot and cold rolled) thinner than 16 gauge, paper rolls, etc. Besides, various types of organic and inorganic chemicals and dye intermediates are also canalised through the MMTC and STC.

6.100. The DCSSIO maintains close liaison with the STC/MMTC in respect of canalised imports. These agencies place the orders for import based on the consolidated information from the State Directors of Industries regarding quantity, type and specifications of raw materials required by the small scale units. The STC/MMTC which handle the import and distribution generally deliver the goods to the State Small Industries Corporations for distribution to the small scale units. It has been mentioned earlier that the imports through the STC and MMTC have given rise to a number of problems and objections from the State Small Industries Corporations. It has also been mentioned that generally these trading agencies give very short notice for arranging payments, which leaves no time for the Corporation to inform the parties concerned. Further, the prices charged by the MMTC/STC are generally higher than the prevailing market prices. For instance, it has been complained by the Maharashtra Corporation that the prices charged for coconut oil and polythene granules were much higher than the market price. This creates complications for the STC and the State Corporation as there is reluctance to lift the stock resulting in blocking of funds and extra expenditure on account of storage, interest, etc.

6.101. The Group are of the opinion that on the question of canalisation of import of raw materials for the small scale sector, there should not be any discrimination between the large scale and small scale sectors. So long as the large scale industries are allowed to

import certain scarce items on individual basis directly instead of being subjected to canalisation through MMTC/STC, the same privilege should be extended to Small Scale Industries Corporation. Further, so long as the large scale units are allowed to import and negotiate price individually and so long as there is no single price Negotiating Committee for the small scale units, the small scale units should also be allowed to negotiate on the same basis as the large scale units preferably on a collective basis. The Group would strongly recommend this course of action as it would strengthen the role of the State Small Industries Corporation in acting as the servicing agency for the small scale units in the matter of procurement of imported raw materials against import licences of small value granted to small scale applicants.

(C) Government Stores Purchase Programme

6.102. The support of the Government Stores Purchase Programme is an effective instrument for stimulating and sustaining the growth of small scale industries. The policy of the Government regarding purchase of stores from the small scale sector is laid down in the Ministry of Works, Housing and Supply Memorandum No. Pur.-4(9)/56 Vol II dated 21st November 1956 (Appendix IX). It will be seen from the Memorandum that Government purchases have been divided into four groups and the most important groups for the small scale sector are Groups III and IV. Group III is concerned with items which are manufactured both in the large scale and small scale sectors and the procedure laid down in the aforesaid Government Memorandum for effecting Government purchases in respect of these items is as follows:—

“Items under this group will be arranged both through the large scale industries and small scale units. For this purpose, they will be divided into two sections. In the first section, tenders will be invited from all parties and small industries may be accorded a suitable and reasonable price preference upto maximum of 15 per cent, the actual quantum being decided in each case on merit in consultation with Finance. In the second section a portion of an indent would be reserved by the Directorate-General of Supplies and Disposals in consultation with Small Industries Corporation, for the small scale industries and on the unreserved portion, the normal procedure for tenders should be followed. In the reserved portion, small industries nominated by the Small Industries Corporation will be eligible for a price preference on the same terms as above. The prices to be fixed for the reserved portion in respect of the stores offered by the Small Industries Corporation nominee, will depend on the results of the tenders to be opened. The DGS&D should prepare a list for this group, in consultation with the Small Industries Corporation.”

6.103. The analysis of the purchase of indigenous stores by the DGS&D from large scale and small scale sectors (including cottage sector) for the period 1964-65 to 1966-67 shows that the share of the Central Government purchases going to the small scale sector has

been negligible being around 6 per cent of the total purchase of the indigenous stores. The figures of total purchases of stores by the DGS&D have been given below:—

(Value in Crores of Rs.)

Year	Total orders of indigenous stores	Total orders on small scale and cottage industries
1964-65	357.45	20.82
1965-66	392.42	24.09
1966-67	368.89	24.15

6.104. The performance of the small scale units in the matter of supply of stores to the Railways during 1963-64 to 1966-67 is not better than the overall performance of this sector in relation to the total purchase of stores under the Central Government Stores Purchase Scheme, as would be evident from the figures given below:—

(Value in Lakhs of Rs.)

Year	Value of Stores Supplied by large scale units	Value of Stores Supplied by small scale units	Share of small scale sector in total purchase of indigenous stores (percentage)
1963-64	575.62	16.63	2.8
1964-65	256.06	15.63	5.8
1965-66	215.87	15.69	6.8
1966-67	239.61	14.13	5.6

It will be seen from the above figures that the share of the small scale sector as a whole in Central Government purchases is yet very small and far below its contribution to the total industrial production in the country. Although it is true that in the case of a large number of stores it is not possible for the small scale industries to participate in the supplies as they are not being manufactured by them, the fact remains that in the case of items which are being manufactured by both the large scale and the small scale units, the proportion of Government orders being canalised to the small scale sector is yet disconcertingly small.

6.105. In spite of clear Government intention to accord a suitable and reasonable price preference to small scale units upto a maximum of 15 per cent to enable the small scale sector to secure an appreciable share of the Government orders, the actual value of orders decided on the basis of price preference has been negligible indeed. The relevant figures are given below:—

(In Crores of Rs.)

Year	Value
1964-65	0.03
1965-66	0.02
1966-67	0.02

It will be seen that only about 0.08 per cent of the total orders on small scale industries was decided on the basis of grant of price preference. The figures constitute the strongest condemnation of the manner in which the price preference policy has been implemented and indicates that the Governments orders in this behalf have been rendered completely ineffective in practice.

6.106. It is also understood that the special "set aside" procedure prescribed in the Government Order for the procurement of a part of the purchase compulsorily from the small scale sector on the basis of prices quoted for the "non-set aside" portion plus a price preference of 15 per cent has not been implemented in practice.

6.107. It has been mentioned to the Group that the virtual non-implementation of the price preference clause is principally due to the unwillingness of the purchasing offices to make the purchase from the small scale sector at a premium. This is reflected in the following instructions issued by the DGS&D to all purchase offices on the procedure for the purchase of stores which are procurable both from large scale and small scale industries (Extract from DGS&D Office Order No. 148 dated 17th December 1956).

"Price preference is not granted automatically, but we have to consider where necessary break-up of cost of manufacture in order to find out that the cost of production in small scale units is really higher than in the large scale units employing mass production techniques."

6.108. The Group regret that the policy of the Government to canalise a substantial portion of the Government purchases to the small scale industries to give a fillip to the development of this section has been practically nullified by the manner in which the policy has been implemented. The tendency on the part of purchase offices to equate large units with small in the matter of Government purchases, has had very unfortunate results from the point of view of small scale industries. The Group view with dismay the general failure of the Central Government Stores Purchase Policy and would urge the Government very strongly to lay down that the grant of price preference should be automatic, subject to the competence of the small scale unit to manufacture the item of stores according to the requirement of the indenting department. Since the small scale units are enlisted under the Government Stores Purchase Programme after their technical competence has been assessed and certified by the Small Industries Service Institute, it should not be necessary for the purchasing department to go into the question of competence of the enlisted small scale units at the time of exercising the price preference in their favour.

The Purchasing Departments of the State Governments also are not generally giving price preference of 15 per cent to small scale units. The State Governments should issue executive orders to require the purchasing departments under their control to give 15 per cent price preference to small scale units in respect of items manufactured by both large scale and small scale units, subject to the overall condition that the products have to be made according to the required specifications.

6.109. Regarding the items of purchases classified under Group IV in the aforesaid Government Memorandum, it has been stipulated that the items under this Group are to be entirely reserved for procurement from small scale industries. There were 34 items in the list until very recently, and another 26 items have been added lately bringing the total number in the reserved list to 110. The list may be seen at Appendix X.

6.110. Generally speaking the benefit accruing to the small scale industries out of this reserved list has not been sizeable and significant as the items reserved are minor items of low unit value, which are generally not being manufactured in the large scale sector. A majority of the items are the products of traditional industries.

The Group are definitely of the view that this list is not of much value to modern small industries as the items mentioned in the list are largely products of traditional industries. The Group would, therefore, recommend that a high-level Committee should be set up with the representatives of the DGS&D, DGTD and DCSSIO and of the Railways and Defence Department to review the whole question and to prepare a substantial list of items to be reserved for exclusive purchase from the small scale sector.

(D) Development of Ancillaries in the Small Scale Sector

6.111. The Estimates Committee (1965-66), observed that the growth of small scale ancillary units in highly industrialised countries like U.S.A., Federal Republic of Germany, Sweden and Japan clearly showed that the concept of ancillaries was basically sound and justifiable on purely economic grounds. In India also there is a strong belief that small firms making components and sub-assemblies for large scale firms deserve to be encouraged as they help not only in creating a strong decentralised sector but also offer larger employment opportunities at a relatively low capital cost. It has also been established that small scale ancillary units which are equipped with the required machinery for the manufacture of components and parts according to the required specifications can produce them at a cheaper rate on account of lower overheads.

6.112. During the last few years, efforts were made to develop small scale units as ancillaries to large scale sector. As the work in this field gathered momentum, the Small Scale Industries Board formed a Standing Committee on Ancillaries in April 1960 and later that year, the work was transferred to the newly created Ancillaries Division of the DCSSIO.

6.113. The Standing Committee selected 16 large scale industries for special encouragement of ancillaries. Industrial Machinery, Agricultural and Earth-moving Machinery, Machine Tools, Industrial, Scientific and Mathematical Instruments, Locomotives and Rolling Stocks, Ships and Aircrafts, Bicycles, Boilers and Steam Generating Engines, Automobiles, Commercial Office and Household Equipment, Electrical Machinery equipment, and appliances, Telecommunication equipments, Industrial Instruments (electrical), Radios and Electronic Equipment, Air-conditioners and Cold Storage Equipment including refrigerators and mineral oil and petroleum products,

6.114. Considering the need for higher capital required by small scale units to function as ancillaries, the Government of India fixed a higher capital limit of Rs. 10 lakhs in machinery and equipment for an ancillary to enable it to be classified as a small scale unit. The ancillary industry has further been defined as "a unit which produces parts, components, sub-assemblies and tooling for supply against known or anticipated demand of one or more large units manufacturing assembling, complete products and which not a subsidiary to or controlled by any large unit in regard to the negotiations of contracts for supply of its goods to any large units. Units which are set up primarily for replacement market also fall within the scope of the above definition."

6.115. In an effort to give impetus to ancillary development, regional committees at various places like Bombay, Calcutta, Madras, Delhi, Bangalore, Patna and Ahmedabad have been set up. The functions of these Committees are mainly to prepare lists of parts and components and sub-assemblies required by large scale units which are directly connected with the defence efforts, list of parts and components and sub-assemblies required by other large industries and suggest items of production to be demarcated to the small scale sector so as to fit in with the end-product programme proposed for large scale industries. Directors of Institutes are the conveners of the Regional Ancillary Committee meetings.

6.116. As per the directive of the Project Coordination Committee of the erstwhile Ministry of Commerce and Industry, various public sector undertakings appointed high level technical officers to work out details of development of ancillaries in their respective projects. The following public sector undertakings were expected to develop ancillaries in consultation with the SISIs:

- (1) Hindustan Machine Tools Ltd., Bangalore.
- (2) Heavy Electricals (India) Ltd., Bhopal.
- (3) Heavy Engineering Corporation Ltd., Ranchi.
- (4) Hindustan Antibiotics Ltd., Pimpri.
- (5) Hindustan Aeronautics Ltd., Bangalore.
- (6) Bharat Electronics Ltd., Bangalore.
- (7) Radio and Electricals Manufacturing Company, Bangalore.
- (8) Indian Railways with particular reference to the Diesel Locomotive Works, Varanasi.
- (9) Hindustan Antibiotics Ltd., Rishikesh.
- (10) Bharat Heavy Electricals (India) Ltd., Hardwar.
- (11) Government Electric Factory, Bangalore.
- (12) Mysore Iron and Steel Works, Bhadravati.
- (13) Hindustan Steel Ltd., Bhilai.

6.117. The Hindustan Machine Tools Limited, Bangalore, has established a functional industrial estate with a provision for 50 sheds. The Heavy Electricals Limited, Bhopal has also a functional industrial estate. The Heavy Engineering Corporation, Ranchi, the Hindustan Aeronautics Limited, Bangalore, the Bharat Electronics

Limited, Bangalore, are also in the process of setting up similar industrial estates for their ancillary units. Apart from the above public sector projects a large number of private sector undertakings have gradually started purchasing stores from small scale sector. Stores and components valued at Rs. 16.6 crores were supplied by small scale units to large scale industries during 1967-68.

6.118. Despite the fact that a number of small scale units are supplying components, stores items, etc., required by large undertakings, the progress made in the development of ancillary industries as a whole has not been significant. As the Estimates Committee has observed, the actual achievement cannot but be regarded as meagre and even the little progress that has been achieved cannot be mainly attributed to the Government's programme for the development of ancillaries. The Committee have also noted that no serious effort has been made to implement the ancillary programme or even to formulate a realistic policy aimed at producing concrete results. There is a feeling among the large units in the private sector that the public sector undertakings themselves have not done much and they should first set an example by developing ancillaries.

6.119. Two of the main reasons for the comparative lack of success in this programme are: (a) the reluctance on the part of large units in the public and private sectors to buy their requirements from small scale units; and (b) the inadequacy of technical staff both in the DCSSIO and the State Industries Departments to provide sustained assistance to the small scale sector to manufacture and supply components.

6.120. There is undoubtedly vast scope for developing ancillaries both in the public and private sectors. Apart from components that enter into the final products, there are a large number of stores items which are required by large industries.

6.121. It will be pertinent to summarise the views of a few Directors of Industries who had sent in their replies in response to the questionnaire issued by the Working Group. The Director of Industries, Madhya Pradesh observes that the public sector undertakings or, for that matter, the large scale firms in the private sector also have not shown much enthusiasm for the development of ancillary industries although Messrs. Heavy Electricals (India) Limited, Bhopal have admittedly taken some interest in this behalf. The Ordnance Factory at Jabalpur has not, however, shown any encouraging response in spite of the efforts made by the Director of Industries. He, of course, feels that the large scale industrial units cannot give an assurance about orders over a reasonably long period of time, as their production programme is subject to frequent changes. Secondly, the limited demand from the large scale units makes it uneconomical for the small scale enterprises to undertake the initial investment in the tooling of sophisticated products required by the large scale units. He feels that provision of testing and other facilities by the Government would be of great help to small scale ancillary units to manufacture parts, components, etc. according to the specifications. He, however, does not think

that any inducement has to be given to large scale units for framing out orders to small scale ancillary units as, in his view, it would be advantageous to the large scale units in the long run to secure parts, components from the small scale sector.

6.122. The Director of Industries, Maharashtra thinks that on the whole no particular enthusiasm has been shown either by the private or public large scale undertakings for the development of ancillaries. He has referred to few exceptions like Messrs. Hindustan Machine Tools and Hindustan Antibiotics which have taken due care to foster the ancillaries. He deprecates the tendency on the part of the large scale undertakings to produce all parts and components under their own roofs and feels that each application for industrial licence should be scrutinised carefully to exclude items which can be produced completely in the small scale sector. This will stop the present practice of setting up the self-contained units and give a fillip to the development of ancillary units.

6.123. The Director of Industries, West Bengal is of the opinion that public sector large scale undertakings are not taking adequate interest in the development of ancillaries. So far as the large scale private sector units are concerned, their interests and activities have been confined almost exclusively to sponsoring a few 'satellite' ancillary units which in reality are the sister concerns of the parent firms. In his view the principal factors standing in the way of smooth development of ancillary units are—

- (a) Absence of steady flow of orders from the large scale sector over a reasonably long period of time;
- (b) Difficulty of obtaining strategic raw materials and necessary financial accommodation.
- (c) Stranglehold of the middlemen on supply of ancillaries and stores to large scale undertakings. Small scale ancillary units find it impossible to quote uneconomic prices to make a dent in their business.

6.124. The Director of Industries feels that the large scale undertakings should be persuaded to farm out the requirements of components and parts to small scale ancillary units. If necessary an element of compulsion should be used at the time of licensing of large scale units by excluding from their schemes the manufacture of components and parts which are being produced competently in the small scale ancillary sector.

6.125. According to the Director of Industries, Gujarat the real drawback in the development of ancillary industries is the investment already made by large scale undertakings for integrated production in their plant. They feel that it would be waste of valuable capital resources to sub-contract parts and components which can be manufactured in their own plant. In the second place, they are extremely doubtful about the quality and regularity of the supplies coming from the ancillary sector.

The Director of Industries, Uttar Pradesh feels that the following factors are responsible for the tardy growth of the ancillary industries—

- (i) Present licensing policy which makes it possible to set up vertically integrated plants in the largescale sector.

- (ii) Allocation of sizable foreign exchange as well as scarce indigenous raw material for the manufacture of finished goods together with all parts and components which can be made competently in the small scale sector.
- (iii) Lack of prescribed standards to ensure a standardisation of quality in respect of the products of the small scale sector.
- (iv) Uncertainty about the time of delivery by small scale units.
- (v) Lack of proper communication channel between the large scale and the small scale sectors.

6.126. The Director of Industries is of the opinion that sub-contracting must develop through healthy and helpful policies. Provision of liberal credit, technical know-how and supply of critical raw materials, supervision and inspection by large scale units etc. could help the process of development of ancillary units.

Suggestions

Public Sector Undertakings

6.127. The Group feel that the large scale undertakings in the public sector should set an example in the development of ancillary units, which can serve as stimuli to the private sector as well. All project reports of large scale undertakings in the public sector during the Fourth Plan should be cleared with the Development Commissioner (Small Scale Industries) so that the manufacture of parts and components which are being made or can be made competently by the small scale sector are not provided for in the schemes in order to create substantial scope for ancillary units to participate in the production of these components and accessories.

6.128. All undertakings in the public sector should set up ancillary industrial estates on the lines of the Hindustan Machine Tools Limited, Bangalore.

6.129. In the existing public sector undertakings, a thorough scrutiny of parts and components required for each assembly must be made by competent technical persons with a view to determining what are the items that can be conveniently manufactured by ancillary units in and around the undertaking and also the items which can be farmed out to the proposed ancillary units in the industrial estates.

6.130. It should be the primary responsibility of the public sector undertakings to provide technical assistance, tooling and testing facilities to ancillary units as it will be ultimately economical and more convenient for the undertakings to get the parts and components manufactured properly in the ancillary units in their vicinity. Scarce indigenous raw materials along with imported raw materials and components required to build the sub-assembly should be supplied by the undertakings to the small scale units as far as possible.

6.131. Since the uncertainty about the flow of orders on a regular and a continuing basis has been a great handicap in the development of ancillary units, it will be advantageous if long-term purchase arrangements are made by the public sector undertakings with the small scale ancillary units to give them a sense of security and encourage them to develop new items.

Private Sector Undertakings

6.132. The Group strongly feel that in respect of all large scale undertakings licensable under the Industries (Development & Regulation) Act, it should be made an integral part of the licensing procedure that any large scale unit applying for industrial licence will have to indicate clearly which are the parts and components and accessories to be sub-contracted to small scale ancillary units and the total value of such orders in a year.

6.133. There should be the closest co-operation and co-ordination between the DGTD and the DCSSIO in order to promote a healthy and co-ordinated development of both the small scale and large scale sectors of an industry. The Group feel that Government should fix a clear responsibility on the Licensing Committee also to ensure that wherever sub-contracting and ancillary production is feasible, the industrial licences to the large units should be granted after eliminating the scope for production of components and sub-assemblies which can be competently produced by the small scale units.

6.134. The licensing procedure must ensure that possibilities of the small scale sector are fully taken into account by the DGTD on the advice of the Development Commissioner (Small Scale Industries) in respect of each application for licence. It would, however, be futile to expect the Development Commissioner (Small Scale Industries) to make any worthwhile suggestion about the modification of the schemes of the large scale undertakings unless his Organisation at the Headquarters is reinforced by high level staff, as recommended earlier by the Group, to deal competently with the applications for industrial licences from the ancillary angle.

6.135. In order to put the scrutiny of applications for industrial licences on an objective basis, the Small Industries Service Institutes in each State should prepare a comprehensive list of small scale units capable of manufacturing components and parts relating to large scale undertakings and also make an assessment of the capacity already installed in these units for manufacturing the same. This will not only enable the DCSSIO to base its objections to the grant of industrial licences to large scale undertakings on a realistic basis but also help each Small Industries Service Institute to function as a clearing house of information regarding the capacity available in the small scale sector for manufacturing different parts and components and establishing a link between demand for a particular component and the prospects of making the same in an ancillary unit. It would be necessary to organise the work of ancillary promotion in each SISI on a planned and systematic basis and to create a cell staffed by competent technical officers to pursue the matter intensively.

6.136. The ancillary wing in the DGTD which has the function of locating units to produce components, parts and sub-assemblies for large scale units should work in close liaison with the Office of the Development Commissioner (Small Scale Industries) in view of the necessity of making the Development Commissioner (Small Scale Industries) the 'central driving force' in the development of ancillary industries.

VII. *Legislation*

7.1. In India there is at present no legislation regarding the development of small scale industries. This subject is being handled both by the Centre and the State Governments. It has been suggested that in a developing situation calling for adjustments between Central and State Governments on the one hand and the different Union Ministries on the other, the introduction of any legislation would inevitably mean circumscribing programmes and responsibilities of the Central and State Governments. It might lead to rigidity and freezing of the situation on a basis which might not allow scope for any adjustments when needed. There is, however, a substantial body of opinion in the country favouring the enactment of legislation on the pattern of the Small Business Administration Act of the USA.

7.2. In the chapter dealing with Government purchase, it has been clearly explained how the intention of the Government to canalise a substantial share of the Central Government purchases to the small scale sector has been defeated in practice. This proves that in the absence of legislation, the declared objective and policy of Government to lend support of the Government Stores Purchase Programme to sustain the development of small scale industries could not be implemented to any appreciable extent. It may be mentioned that in the USA, to safeguard the interests of small scale industries and to ensure that a fair proportion of the total purchases and contracts for goods and services for the Government, would be canalised to small business concerns, the Small Business Act of 1958 was passed. Thus, even in an advanced industrial country like America, the essence of whose economic system is based on free competition, there was a clear acceptance and realisation that in carrying out the national policy for the development of small scale industries it was necessary to put the whole scheme on a statutory footing through the enactment of suitable legislation for the purpose. Under the Small Business Act of 1958, a special independent agency called the Small Business Administration (SBA) was set up directly under the President and this agency was not affiliated or subordinated to any other agency or department of the Federal Government. One important feature of the Act is the authority that it gives to the SBA to take prime contracts from the procurement agencies of the Federal Government and to arrange for the execution of the contracts through sub-contracts to small business. The agency is also authorised to obtain information and reports from Government procurement agencies about the extent of participation in Government purchases by small businesses. An ancillary piece of legislation in USA for developing small business enterprises is the Small Business Investment Act of 1958, which was passed to facilitate the financing of equity capital and long-term loans required by small businesses in connection with their growth, expansion and modernisation.

7.3. It has been urged that in India, having regard to the perfunctory and almost casual manner in which the Government Stores Purchase policy has been implemented, there is an urgent need for enacting suitable legislation to give legal backing to the policy of canalising a substantial proportion of Government purchases to the small scale sector. This will not only ensure effective utilisation of the production facilities of small enterprises in the country but also stimulate further development of the small scale sector on a secure basis.

7.4. It would be pertinent to mention in this connection that the small scale enterprises in India which may secure Government orders are often put to great difficulties in executing those orders, in the absence of scarce raw materials. In the USA, the small businesses which are concerned with the execution of Government orders are in a position to draw their requirements of scarce raw materials from the suppliers and the Small Business Administration has powers to obtain information from the suppliers and stockists of raw materials about distribution of scarce raw materials to small businesses, which they are unable to obtain from normal sources. The Small Business Administration Act of USA not only covers civil purchases but also Defence purchases and provides that a significant proportion of the Defence purchases which are not of critical nature has to be farmed out to the small business sector along with the purchases and contracts on the civil side. This extension of the Government Purchase Programme to Defence items has been effected through an amendment of the Act under which the Department of Defence has to make a monthly report to the President, the President of the Senate, and the Speaker of the House of Representatives showing the amount of funds out of the appropriations to the Department of Defence, which have been expended, obligated or contracted to be spent with small business concerns.

7.5. The failure of the Government Stores Purchase policy in India is matched by the failure of the Government programme to promote integration of large scale with small scale sectors and to stimulate the growth of small scale units ancillary to the large scale industries, inspite of the declaration of objectives and policy in this behalf in successive Five Year Plans and in the Industrial Policy Resolution. The whole history of licensing of industrial units under the Industries (Development and Regulation) Act, which has been discussed earlier in this report, goes to highlight the total inability of the Planners, Administrators, etc. to enforce any steps designed to secure the required measure of integration between the large scale and small scale sectors and develop the small scale ancillary units under the umbrella of large scale undertakings. Apart from the lack of success in the development of ancillary industries, the effort to stimulate their growth has been handicapped by a number of difficulties which can only be removed through legislation. The small scale ancillary units have often been at the mercy of large scale parent concerns to whom they were affiliated for the supply of parts and components, due to inordinate delay in making payments for the goods received. In fact, in a majority of cases delay has generally been of over 3 months and has quite

often extended to 6 months. The small scale ancillary units, because of paucity of resources and their general inability to attract institutional finance, have been greatly inconvenienced in carrying out their production due to unwillingness on the part of the parent concerns to settle their claims reasonably promptly. In Japan, to deal with similar situation and to protect the small scale ancillary units which were supplying parts, components and stores to large scale undertakings, a law was passed entitled Law of Prevention of Delayed Payment for Sub-contracts (1956). This law, along with the law relating to the reduction of private monopoly and maintenance of fair-play (1947), did offer a substantial measure of protection to the small scale ancillary units against exploitation by the large scale parent concerns. It will be pertinent to mention that the core programme for the development of small scale industries in Japan aimed at promotion of modernisation of small enterprises as it was felt that the real progress of the small scale sector depended on its ability to achieve higher levels of productivity and hold its own against large scale enterprises. It was, however, considered necessary to enact a law for promotion of modernisation. This law was passed in 1952 and subsequently amended in 1962 so as to hasten the process of modernisation. Under this law, the Government can designate specific areas or fields where modernisation is considered to be urgent from the point of view of national economy and to offer various incentives to small enterprises undertaking modernisation according to the schemes and plans formulated by Government. In India, although the modernisation of small scale industries has made some progress, it is yet to make a significant impact on the development of small scale industries. It may be mentioned that the number of units which have been assisted by the National Small Industries Corporation till the end of September, 1967 by way of supply of machinery on hire-purchase basis comes to 7,425 units against the total of 1,20,000 units registered with the Director of Industries. And again there are more than 1.5 lakh units which are not registered.

7.6. In the field of finance, it has been mentioned in the chapter dealing with credit that the share of the small scale sector in the supply of institutional finance is as yet negligible and out of proportion with the contribution of the small scale enterprises to the total industrial production in the country. In Japan, several laws have been enacted for facilitating the supply of finance to small enterprises and, mainly, these laws relate to two specific fields—(i) those relating to the formation of corporate credit associations and (ii) those relating to strengthening of the Government financial institutions established for the purpose. It should be mentioned that the People's Finance Corporation (PFC) which finances the smallest among small scale units is a special financial institution operated solely on the basis of financing by Government. It has been established under law to give institutional finance to very small scale units which may not be considered as banking risks by other financing agencies. Besides this Corporation, the Small Business Finance Corporation (SBFC) has been set up to give long term and medium term loans to small scale units in order to augment the facilities which are available from other financing institutions. A particular point to be noted is that in

Japan the financing of small scale industries also has been put on a statutory footing, not only to canalise the flow of funds to the small scale sector in adequate quantities, but also to see that the small scale sector is not handicapped in realising its potential on account of lack of finance. In India, institutional finance still continues to be available to only a small fraction of the small scale units and it is yet to be seen whether the new credit policy based on social control will be able to enlarge the flow of finance to the small scale units and the weaker ones among them to help fulfil the targets laid down for the small scale sector during the 4th Five Year Plan. There is a strong feeling that the whole subject of financing of small scale industries should be put on a statutory basis through enactment of appropriate laws, as in the case of Japan and also of USA where the Small Business Investment Act of 1958 ensures the supply of adequate finance to meet the capital and current requirements of small businesses through institutional agencies.

7.7. Absence of legal provisions in India to guide and regulate the development of small scale industries has not proved to be a source of strength. In fact, the non-implementation of Industrial Policy Resolution regarding strengthening of decentralised sector and integrated development of the large and small scale sectors has been substantially due to want of laws to implement the objectives of Industrial Policy Resolution and the successive Five Year Plans. Although the Group have suggested re-formulation of Industrial Policy Resolution with particular reference to the small industries sector, it is felt that a mere enunciation of a new policy will not produce the desired results.

7.8. The Group feel that the matter has to be gone into in depth and, would therefore, recommend the constitution of a special committee to go into the whole question covering all basic aspects of small industries development such as, sub-contracting, Government Purchase, organisation and finance, with a view to framing suitable legislation for enactment by the Government.

VIII ACKNOWLEDGMENTS

The deliberations and discussions of the Group covered a wide area including the field of State-Centre relationship. It was, therefore, necessary for the Group to visit several State Capitals, i.e., Bombay, Ahmedabad, Calcutta and Hyderabad, to hold discussions with the official and non-official agencies concerned with the development of small scale industries at the State level. The Group also interviewed the key officials connected with the provisions of facilities to the small scale sector, such as, Deputy Governor of Reserve Bank of India, Chairman, State Bank of India, Chairman, National Small Industries Corporation, the Economic Adviser, Ministry of Industrial Development and Company Affairs and the Chief Controller of Imports and Exports. The views and opinions offered by the persons interviewed were of great help to the Group in clarifying many intricate issues and coming to specific conclusions on them.

The work of the Group was facilitated by the response and co-operation forthcoming from all interested agencies both in the public and private sectors. In fact, the views and suggestions received from the Federation of Indian Chambers of Commerce and Industry, All-India Manufacturers' Organisation, Federation of Associations of Small Scale Industries and several State Associations of Small Scale Industries, Indian Standards Institution and various financial institutions, including the Reserve Bank of India and the State Bank of India, State Financial Corporations, and the State Directors of Industries were of considerable help in pin-pointing the basic problems and issues and suggesting the lines of remedial action to resolve the difficulties. It would not have been possible for the Group to formulate its recommendations on the various problems relating to the operation of Small Industries Development Programme but for the unstinted cooperation and useful suggestions received from all knowledgeable quarters. The names of organisations and agencies which have participated in the discussions of the Group and also helped them by giving their replies to the questionnaire are given in Appendix XI. The Group are particularly indebted to the State Directors of Industries who have given their free and frank opinion on the working of the Small Industries Programme and the lines on which action could be taken to strengthen the programme in future.

The Working Group had, in all, 7 meetings, the last meeting being held on the 31st May 1968 and the 1st June 1968. It would not have been possible for the Group to complete their work but for the secretariat assistance rendered by the Office of the Development Commissioner, Small Scale Industries. Particular mention may be made of the services rendered by Sarvashri N. D. Marwaha and M. M. Bansal, Junior Field Officers, who had spared no pains to analyse the mass of information and data furnished by the different respondents to the Group. Shri A. N. Bhyana, Senior Analyst of the Administrative Reforms Commission also assisted the Group in analytical work

for some time; then he left for another assignment. One of the Members of the Group, Shri K. M. Mirani, Deputy Secretary, ARC, left for Manila on a UN assignment and could not therefore participate in the deliberations of the Group for a considerable period. It has, therefore, not been possible to get the benefit of his views and advice in finalising the report of the Group.

D. D. BASU

Secretary

ARUN CHANDRA GUHA

Chairman

A. G. KULKARNI

Member

J. N. THADANI

Member

P. C. ALEXANDAR

Member

K. L. NANJAPPA

Member



NEW DELHI,

26th June, 1968.

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS

Serial No.	Reference to Paragraph No. in the Report	Summary of Conclusions/Recommendations
1	2-21	The Group cannot but view with dissatisfaction the practice of the States to utilise the allocation for small scale and village industries for other purposes through diversion of funds. To the extent that funds allocated for small scale industries programmes are diverted to other uses, there is bound to be slowing down of progress in the sphere of small scale industries.
2	2-22	The Group are firmly of the opinion that in view of the definite and distinct role assigned to the small scale sector in the industrial development of the country and the contribution of the sector to the growth of industrial production and employment opportunities on a substantial scale, allocations earmarked for small scale industries should not be utilised by States for other purposes. Even if any diversion becomes unavoidable, such diversion of funds should not be effected except with the prior approval of the Centre.
3	2-23	Apart from the unhealthy practice of diversion of funds from the small industries sector referred to above, the diminishing share of the small scale sector in the State Plan allocations indicates a tendency to regard the small scale industries as a non-priority sector, but the Group are convinced that this tendency would lead to a dilution of the social and economic objectives of planning as mentioned earlier, including creation of quicker and substantial employment opportunities at relatively small capital cost, reducing disparities of income and ensuring an equitable distribution of national income, mobilisation and utilisation of local resources of capital and skill, stimulation of local entrepreneurship and promotion of integrated agro-industrial development, etc. The Group, therefore, consider it very necessary for all State Governments to give high priority to the small scale industries sector in the State Plans.

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS—
contd.

Serial No.	Para No.	Summary of Conclusions/Recommendations
4	2·24	The Group feel that the tendency on the part of a large number of States to allocate a diminishing proportion of the State plan outlay to the small scale industries sector has been partly due to the availability of Central assistance to different States in the form of loans and grants on a widely differing basis. It will be worthwhile to quote from the Estates Committee Report of 1965-66 on the Organisation of the Development Commissioner (Small Scale Industries) regarding allocation of Central assistance which states as follows:— “The Committee note that, during the Third Five Year Plan period, the progress of expenditure on the small scale industries programmes in the different States has been determined very largely by the quantum of Central assistance in the form of loans and grants, sanctioned to a State. For instance, in Mysore and Rajasthan where the percentage of Central assistance to the Plan outlay is relatively low (31·08 per cent and 37·2 per cent respectively), the percentage of shortfall in the Plan expenditure is very high (63·82 per cent and 58·61 per cent). On the other hand, in Madras, which has received Central assistance to the extent of 89·71 per cent of its Plan outlay, there is not only no shortfall but the actual expenditure is likely to exceed the Plan target by about 18·1 per cent.”
	2·25	It would appear from the figures of Central Assistance to States (loans and grants) during the Third Plan period, given at Appendix II, that the flow of Central assistance to States has varied widely leading to great disparities in the levels of actual expenditure for and actual development of small scale industries among the various States. But the Group feel that to reduce the existing disparities in the levels of industrial development between States, the proportion of Central assistance should be higher in the case of less developed States. Similarly, the division of Central assistance into grants and loans should give due weightage to the less developed States, so that the allocation of grant is higher in their case as compared to the more advanced States.
5	3·11	The Group strongly feel that while there has been awareness of the need for strengthening the small scale sector by reserving areas of production where large scale

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
		operations are not considered to be of any distinct advantage, a number of actions have been initiated by the Government of India to exempt more and more industries from the operation of the Industries (Development & Regulation) Act, so as to encourage the development of large and medium undertakings in such industries in a free and unfettered manner. These two lines of action have posed a contradiction in thinking and planning and resulted in a lot of uncertainty being introduced in the policy for the development of small scale industries.
6	3-12	The Group are definitely of the view that there is an urgent need for clearly defining the national policy for the development of small scale industries. The specific clauses in the Industrial Policy Resolution 1956 concerning small scale industries have not led to clear and concrete action and the reference to the combined category of cottage, village and small scale industries in the Policy Resolution has created difficulties about the implementation of the Policy in regard to the modern small scale industries as the requirements of such industries and those of village and cottage industries have undergone changes and are substantially different at present.
		<i>Basic Principles for a New Small Industry Policy</i>
7	3-13	The Industrial Policy for the development of small scale industries should clearly affirm the priority nature of the industries in the small scale sector in view of its potential for creating employment opportunities, stimulating entrepreneurship in middle and lower middle classes society and bringing about a more equitable distribution of income and wealth. It is of the utmost importance to ensure healthy growth of the small scale sector, not only to accelerate the industrial and economic progress of the country, but also to provide a broader and economically and socially more justifiable industrial base.
8	3-14	Allocations of resources for the development of small scale industries should be based on the assessed requirements of this priority sector and should generally be proportional to its contribution to the total industrial production and employment in the country.

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
9	3-15	Apart from the positive measures to increase the productivity of small scale industries, it will be necessary on the part of the Government to identify and earmark specific areas or fields of production and processes for exclusive production in the small scale sector, based on the proved competence of small enterprises to undertake the production in the designated fields.
10	3-16	The Group feel that if delicensing of industries is considered desirable from the point of view of general industrial development of the country, such delicensing under the Industries (Development & Regulation) Act should not be undertaken without carefully considering its impact on the development of small scale industries; and all such industries or fields of production as are technically and economically feasible, within the limits of fixed investment for the small scale sector, should be excluded from the delicensing programme to prevent new large scale undertakings from coming up in an unrestricted manner in these fields.
11	3-17	Priority of consideration should be given to the modernisation of the small industries sector by supplying the needed equipment and machinery on an instalment credit basis; also necessary steps should be taken by Government to ensure the supply of scarce raw materials to the small scale enterprises on an equitable basis and to meet the credit requirements of different types through appropriate institutional arrangements.
12	3-18	In view of the need for a healthy and co-ordinated growth of the large scale and small scale industries sector, the development of large scale undertakings should be planned with due regard to the development of small scale sector in the same industries. In licensing large scale undertakings, the needs and capabilities of the small scale sector should be fully kept in view; licences to large units may be granted only after excluding facilities for manufacture of parts, components and sub-assemblies which can be competently produced by small scale enterprises in the country.
13	3-19	Large scale processors of technical raw materials and intermediates like aluminium sheets and circles, wires,

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
		basic plastic materials, etc. should not be allowed to produce the end-producers such as, aluminium utensils, wire products, plastic goods, etc. which should be generally left to the small scale sector, subject to techno-economic feasibility.
14	3·20	State Governments who are primarily responsible for the development of small scale industries and implementation of various specific small industry programmes should ensure compliance that the national policy and objectives relating to the development of small scale industries and take timely corrective action to prevent shortfalls or deviation from planned targets or approved programmes.
15	3·21	The promotion and development of small industries on a dispersed basis is an important objective of developmental policy, but small industries by themselves cannot be expected to initiate the process of industrial dispersal beyond the metropolitan areas. As such, comprehensive development schemes should be initiated on an integrated basis in selected areas and centres to provide infrastructure and related facilities together with critical inputs for the sustained development of small scale and other industries in semi-urban centres which can serve as the focal points of agro-industrial development.
16	4·6	But the technical advisory service being rendered by the Small Industries Service Institutes and Extension Centres at present has become outmoded and the technical expertise available with the Organisation is considered quite inadequate to deal with the emerging problems and the changing need pattern of the small scale sector. The group would like to emphasise that when the Organisation was first established the pattern of technical assistance to be rendered by the Organisation was determined with due regard to the industrial pattern prevailing then. The staff recruited and the machinery and equipment purchased for the Extension Centres were adjusted to meet the requirements of the small scale industries at that time. The Group regrets to note that over the years the cadre of technical experts has been weakened on account of frequent loss of experienced and qualified experts due to lack of prospects. Many experts

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— contd.

Serial No.	Para No.	Summary of Conclusions/Recommendations
		with long experiences in extension work left the Organisation in quest of better prospects and the resultant vacancies had to be filled with junior and comparatively inexperienced staff, as experienced people were not attracted by the scales of pay attached to the posts. This has been very unfortunate in view of the steady increase in the level of technology of the small scale sector as a whole and orientation of the new small scale units towards manufacture of sophisticated and precision products.
17	4·7	The number of experts in the Development Commissioner's Organisation has also suffered reduction in recent years because of administrative reasons which were beyond the control of the Organisation. It may be mentioned that 20 posts of Assistant Directors and at least one post of Deputy Director lapsed in 1966 as they had been lying vacant for a period of six months or more. The main reason for the posts remaining vacant was the difficulty faced by the Union Public Service Commission in recruiting candidates in time. This difficulty was in part due to the lower salary which proved unattractive to the prospective candidates. But the net result has been a reduction in the strength of experts available to the DCSIO for running the industrial extension service. It has thus been practically impossible to increase the coverage of the units brought under the Assistance Programme.
18	4·11(b)	The group strongly feel that there is an imperative need to strengthen the Organisation of the Development Commissioner by the addition of top level experts in regard to the progressive industries like thermo-plastics, electrical equipment and measuring instruments, electronics, scientific and precision instruments industry, etc.
19	4·12	It has to be mentioned that the majority of the State Governments are almost entirely dependant on the help provided by the Central Small Industries Organisation through the Small Industries Service Institutes in rendering technical assistance to small scale industries. Although a number of State Governments have set up their own technical wings, they are totally deficient in expertise in sophisticated fields like electronics, thermo-plastics, etc. But it has not been possible for some other States even to make the small beginning. Therefore, the main brunt of supplying

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
		advanced technical assistance has to be taken up by the CSIO. But if the Organisation of the Development Commissioner (Small Scale Industries) is to strengthen itself by the addition of high level experts, particularly in new growth industries, it has to be divested of the responsibility of providing expertise in common basic trades like smithy, carpentry, metal finishing, forging, welding, heat treatment, etc. which they have been dealing with since inception of the Programme.
20	4-13	The Group are glad to note that some action has been initiated in this behalf and that immediately 8 Extension Centres are proposed to be handed over to the State Governments. The process should be expedited as there are as many as 50 Extension Centres belonging to primary trades mentioned above, which should be handed over to the States. The State Governments should develop their Technical wings in regard to the basic trades, and the facilities and machinery and equipment which are at the disposal of the Organisation of the Development Commissioner (Small Scale Industries) should be handed over to the State Governments to help them provide technical services for basic trades.
21	4-14	The Group would also like to make it clear that so far as the Organisation of the Development Commissioner (Small Scale Industries) is concerned, it should also shed the activities like provision of workshop facilities relating to engineering industries where these are available from other sources in the small scale sector itself. This is to say that as facilities are developed by other agencies on a commercial basis, it would be appropriate on the part of the DCSSIO to gradually withdraw from the field so as to encourage the private or/and State Government agencies to develop their facilities to the full. Such an action would help the Government to release resources for more important tasks in the service of small scale industries.
22	4-17	The Group strongly feel that it is desirable to revert to the old system in which the Small Scale Industries Board used to meet regularly at least three times a year. It is not necessary to have a separate Official level Committee and it should suffice to set up separate Standing Committees on different aspects of development of small scale industries,

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
---------------	-------------	--

such as finance, ancillaries, raw materials, etc. so that the Board should be guided and advised regarding the effective means of accelerating the development of the small scale sector. The Small Scale Industries Board must assert itself and make a meaningful impact on the development of small scale industries in the country. In the opinion of the Group, this can be ensured only by preserving its old character and doing away with the bifurcation of the Board into a Policy Making Board and Non-Policy making and Implementation Committee. The Board must meet more frequently and at least twice a year to give policy directives and to suggest positive measures to deal with the emergent problems concerning the development of small scale industries in the country. The Group also like to invite a reference to the recommendation of the Estimates Committee (1965-66) made in their 105th Report (pp. 14-15), which also stressed the necessity for the Small Scale Industries Board to meet at least once in six months for critical review and fruitful deliberations on problems facing small scale industries.

- 23 4.23 Though conscious of the need for effecting economy in administration, the Group consider it absolutely essential to strengthen the headquarters of the Organisation of the Development Commissioner (Small Scale Industries) by the addition of the following top level experts in specialised fields to enable him to discharge his function satisfactorily :—

Designation of Post	No. of Post required	Scale of Pay
Rs.		
1. Industrial Adviser (Plastic and Plastic Chemicals) ..	1	1,800—2,000
2. Industrial Adviser (Electrical Engineering & Electronics) ..	1	1,800—2,000
3. Industrial Adviser (Mechanical & Instrumentation Technology)	1	1,800—2,000
4. Director (Plastics & Rubber)	1	1,100—1,800
5. Director (Insecticides and Pesticides)	1	1,100—1,800
6. Director (Electrical)	1	1,100—1,800
7. Director (Electronics)	1	1,100—1,800

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— contd.

Serial No.	Para No.	Summary of Conclusions/Recommendations
24	4.25	It has not been possible for the Development Commissioner to give high level attention to the formulation and evaluation of Government policies and measures for the healthy and balanced growth of small scale industries. In the absence of a highly qualified and experienced Policy Planning Adviser to provide the Development Commissioner and the Ministry with authoritative guidance on immediate and emerging small industry policy matters there has hardly been any systematic attempt at policy and programmes planning for the entire small industries sector. The Group feel that it is absolutely necessary to create the post of an Industrial Adviser (Planning and Research) for the Organisation of the Development Commissioner to give major attention to the undertaking of special functional and topical studies needed for policy guidance and for making recommendations for formulating Small Industries Programme along lines that are most likely to realise the potentialities of small industries development in the prevailing situation. The Group are glad to note that an evaluation Cell has already been created at the headquarters of the Organisation of the DC (SSI) on the basis of the recommendation of the Estimates Committee (1965-66), made in their 105th Report, page 18, and would recommend that the Cell should be placed under the Industrial Adviser (Planning and Research) for continuous evaluation of programme effectiveness.
25	4.26	It has already been mentioned that the edge of the technical service has been somewhat blunted by the failure of the DCSSIO to provide expertise of the required levels in such growth industries. The small scale sector which has been able to diversify into new and sophisticated lines of production are not getting the required assistance in the form of technical advice and guidance from the Small Industries Service Institutes due to want of experts and subject matter specialists in these fields.
		<i>Private Panel of Consultants</i>
26	4.27	The Group are also convinced that a substantial addition to the technical staff of the SISIs at the regional level is extremely necessary to render effective technical advisory service to small scale industries in the modern growth industries. The group are, however, of the opinion that the utilisation of private consultants and experts on a

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
		part-time basis is extremely desirable to improve the quality of the technical service provided by the Small Industries Service Institutes. It is recommended that provision of high level technical consultancy service on a regional basis should be arranged by establishing technical panels of part-time consultants for various key industries, attached to the Small Industries Service Institutes at Calcutta, Bombay, Madras and Delhi. These Institutes should establish rosters to contact consultants to supplement their own staff; and the personnel may be allowed to be drawn from large public and private undertakings, National Laboratories, retired technical experts, etc. The panel of consultants should render technical advice to the Institutes on payment of monthly retainer's fees and the Government should make it possible for experts attached to public sector undertakings and national laboratories to work as part-time consultants to the Organisation of the Development Commissioner (SSI).
27	4-30	The Group also feel that it should be more and more the endeavour of the Government to stimulate interest in private corporate agencies, industrial co-operative societies, trade associations, etc. for the provision of technical services and facilities. These bodies which have not so far shown much willingness or initiative to offer technical services and facilities to small scale industries should be encouraged to undertake this task to an appreciable extent on the basis of a matching grant from the Government of India. Initially, Government may agree to finance the expenditure to be incurred by these agencies on a 50 : 50 basis, but the Central assistance may be gradually reduced from year to year with provision for being completely tapered off at the end of five years.
28	4-31	The suggested steps will help Government to minimise the expenditure on the provision of higher industrial extension service. The Group, however, think it absolutely necessary to strengthen the Small Industries Service Institutes by providing the minimum supporting staff to render essential technical service in specialised trades with the help of a panel of consultants as indicated below:— 1. Deputy Director (Electronics) 4 2. Deputy Director (Elec. Engineering & Measuring Instruments) 4

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations										
		3. Deputy Director (Plastic Chemicals) 4										
		4. Deputy Director (Paper Conversion and Misc. Chemicals) 4										
		5. Deputy Director (Tool Room Specialists on Design and Production of Dies, Jigs and Fixtures, etc.) 4										
29	4.32	The Group feel that although a good deal of emphasis is being put on improving and standardising the quality of small industry products, very little effective help is being rendered by way of providing adequate facilities for the testing of raw materials and finished products. It is, therefore, necessary that one of the basic handicaps in the improvement of small industry products be removed by developing the SISI workshops and laboratories at Calcutta, Bombay, Delhi and Madras into full-fledged regional testing centres to cater to the needs of mechanical, electrical, metallurgical and chemical industries.										
30	4.33	It has been estimated that a sum of Rs. 25 lakhs would be required to equip each of these regional testing centres with adequate machinery, tools and laboratory equipment. Each testing centre should be in charge of a Director who should be assisted by supporting technical staff. The staffing pattern for each centre should be as follows :— <table><tr><td>Director</td><td>1</td></tr><tr><td>Deputy Director</td><td>1</td></tr><tr><td>Asstt. Director</td><td>1</td></tr><tr><td>Scientific Officer</td><td>4</td></tr><tr><td>Laboratory Assistants</td><td>2</td></tr></table>	Director	1	Deputy Director	1	Asstt. Director	1	Scientific Officer	4	Laboratory Assistants	2
Director	1											
Deputy Director	1											
Asstt. Director	1											
Scientific Officer	4											
Laboratory Assistants	2											
31	4.34	The Group also recommend that in addition to the Regional Testing laboratories at Bombay, Madras, Delhi and Calcutta, the Organisation of the Development Commissioner (SSI) should set up process and product development centres-cum-testing laboratories in trades like rubber, plastics, electrical appliances, making of tools and dies, pressure die castings, etc. at appropriate places like Kanpur, Ludhiana, Hyderabad, Ahmedabad, Asansol, etc. keeping in view the requirement of the particular area. These centres may be constituted by pooling the existing resources										

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
		and staff from the different extension centres and institutes and supplementing these by critical equipment which will be necessary to help the centres function as full-fledged development-cum-testing centres. The objectives of such centres will be as follows :—
		(i) To solve the operational problems of the small scale units brought back by the field staff;
		(ii) To disseminate information regarding the latest development in the manufacturing lines;
		(iii) To develop new processes and products to encourage the setting up of new units;
		(iv) To evolve appropriate technology suited to particular demand and resource situation, to test the products of small scale enterprises.
32	4.35	The Group further recommend that the test certificates to be issued by the regional testing centres and the above-mentioned process and product development centres should be treated on par with those issued by the other approved laboratories in the country, not only by the Export Promotion Council but also by the Directorate of Inspection of the DGS&D and other Government purchase agencies. The certificates should not be given free and the service should be charged for, but the scale of fees should be determined with due regard to the capacity of the small scale sector, to pay these fees.
		<i>Charging of Fees</i>
33	4.36	The Group deem it necessary to have fresh thinking over the whole question of imposition of fees for all types of services rendered by the Organisation of the Development Commissioner (SSI) including techno-managerial consultancy service. The rendering of extension service has gone on too long on a completely gratuitous basis and it is high time to change the practice. The imposition of service fees is the best way to ascertain the true value of the services and to discriminate in favour of those who have a real need for such help. This will also prevent the extension personnel from becoming bureaucratic and less service minded by getting entangled in routine work of administrative nature and help identify programmes that do not have sufficient demand to justify their continuance.

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— contd.

Serial No.	Para No.	Summary of Conclusions/Recommendations
34	4-35	The Group, therefore, feel that all types of services should be progressively charged for, the scale of fees being adjusted according to the quality or level of expertise needed and the time required to be spent on the provision of the service. The fees, however, need not in all cases cover the entire cost. An element of subsidy may be allowed at the initial stage in fixing the scale of fees. It may also be desirable to make an exemption in the case of units located in depressed and backward areas but this pre-supposes that the delineation of such areas will have to be undertaken in advance by the State Directors of Industries. Since the cost of provision of extension service will increase substantially due to the need for recruiting top level experts in specialised trades and provision of sophisticated machinery and equipment in the process and development centres, it will be entirely appropriate to recoup at least a part of the expenses through the imposition of service fees on all important types of service rendered by the DCSI.
35	4-36	The Group would like to draw attention to the fact that at present the responsibility for the development of industries like electronics, petro-chemicals and related industries, fruit preservation, etc. vests in different Ministries which are also determining the policy for the development of such industries. Although several Ministries are concerned with the development of industries, the Organisation of the Development of industries, the Organisation of the Development Commissioner, Small Scale Industries, is the only agency at the national level, responsible for the co-ordination of programmes for the development of small scale sector of these industries. There has, however, been a tendency on the part of some of the Ministries concerned to work in isolation without taking the Development Commissioner, Small Scale Industries, into consultation in the formulation of policies and programmes for the development of the industries in question.
36	4-39	The Group would, therefore, suggest that the Union Ministries concerned with the development of specific industries should work in close collaboration with the Organisation of the Development Commissioner, Small Scale Industries, for the coordinated development of the large and small sectors of these industries.

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
37	4-40	The Group feel that the question of status of the Development Commissioner, Small Scale Industries, is of crucial importance in relation to the functions that he has to discharge, particularly in respect of effecting co-ordination between different Ministries of the Union Government and with different State Governments. The Group would, therefore, strongly suggest that the Development Commissioner should be of the minimum status of that of Joint Secretary to Government of India to enable him to perform his duties efficiently in regard to the development of small scale industries. The grant of the status of Joint Secretary will not only enable the Development Commissioner to speak with greater authority and to make his weight felt in all matters having a bearing on the development of small scale industries, but also enable him to deal directly with all issues and questions which are disposed of by the Ministry at the Joint Secretary's level, without having to make a reference to the Ministry again. The Group also feel that the raising of the status of the post to that of a Joint Secretary would make it unnecessary to allot a separate Joint Secretary to deal with small industry questions in the Ministry.
38	4-43	In fact the State Directors of Industries lack technical personnel to discharge their functions efficiently and the tendency to regard the Small Industries Service Institutes as their technical wings for all purposes has left them extremely ill-equipped in terms of technical personnel to effectively deal with the needs and problems of small scale industries. In spite of the constitutional responsibility of the State Governments in the matter of small industries development, the existing set-up in the States is not at all conducive to the realisation of this objective.
39	4-44	It will be pertinent to point out that there have been great disparities in the levels of development of small scale industries in different States due primarily to widely varying degrees of attention, drive and initiative put in by the State Governments. Excepting a few States like Madras, Punjab and Maharashtra, the progress of the small scale sector was very unsatisfactory in other States. The fact that the priority accorded to the small industries sector was allowed to diminish steadily over the successive Plan periods in a vast majority of the States was a reflection of the lack

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
		of appropriation and awareness in these States of the role and significance of small scale industries in the national economy. The performance in Bihar, Rajasthan, Orissa, Mysore, Uttar Pradesh, Assam and West Bengal has been very disappointing. Even at present the main emphasis in the Small Industries Programme is being put on the issue of permits and certificates and the largest proportion of the time of the staff is spent on regulatory duties. The Industries Directorates are not fully aware of the difficulties and problems facing the small scale industries and are hardly in a position to provide the integrated leadership at the State level which is necessary to give the required trust to the development of small scale industries.
40	4.45	The Central Government's role in small industries development has to be limited to formulation of policy co-ordination of programmes, launching of promotional activities and provision of higher technical assistance which cannot be organised conveniently by the State Governments. It has to perform catalytic action to stimulate and assist the States and other agencies to build up the small industries movement. But the State Directorates of Industries must be the 'central force' at the State level in developing and building up the small industries sector in all other agencies like the Organisation of the DCSSIO, NSIC, the State Bank of India, etc. would be instrumental and helpful, but infrastructures have to be provided by the States to prepare the base to receive and utilise these aids.
41	4.46	State Industries Directorates should take up periodical review of the status of small scale industries and their problems, arrange conferences, evolve appropriate strategy at the State level for the development of small scale industries, formulate programmes which will have the maximum impact and assume a dynamic role to accelerate the development of small scale industries.
42	4.47	In connection with the development of small industries in smaller towns and villages, formulation of integrated plans of development of the industrial centres in co-operation with all developmental departments concerned with the provision of economic and community facilities, e.g. the P.W.D., Public Health Engineering, Electricity,

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
		Medical and Education Departments, etc. should also be the primary responsibility of the State Directorates of Industries.
43	4-48	As already recommended by the Group, the Organisation of the Development Commissioner (SSI) should disengage itself from activities that it has effectively demonstrated over a number of years and the provision of technical services in regard to the basic trades should be carried forward by the State Governments. This will not only make it possible to avoid any duplication of efforts in specific fields between the Central and State Governments, but also leave the Central Organisation free to build up programmes for giving higher technical expertise and guidance in respect of new and sophisticated industrial fields.
44	4-49	The Group would strongly recommend that the State Directorates of Industries should be strengthened by the addition of competent technical officers to carry on the promotional activities and arrangements should be made on a high priority basis for the training and retraining of the existing personnel to make them temperamentally and professionally suitable for implementing the small industries development programme in the States. Maximum use should be made of the Small Industry Extension Training Institute for training the existing personnel for the successful operation of the small industries programmes at the State level.
45	4-50	It should be the responsibility of the State Directorates of Industries to handle registration, collection of key statistics from small scale units and undertaking local economic surveys. The States should, however, perform these duties in accordance with the overall scheme approved by the Organisation of the Development Commissioner (SSI) in order to ensure uniformity and comparability of data, but the primary responsibility for discharging these functions should be that of the State Governments. It will, however, be necessary to strengthen the State Directorates adequately for the proper performance of their duties in this behalf.
46	4-51	The Group feel that the industrial development in each State should be viewed in a long-term perspective and, as such, continuance of policies and programmes is

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
		very important. It may be mentioned that some States have formulated their small industry policy in detail and this has helped in clarifying the objectives and priorities of the programme to the staff of the Directorates of industries.
47	4-52	The Group would suggest that each State Directorate of Industries should set up a Planning Cell to assist not only in the formulation of policy and programme but also in its evaluation. This cell will also help in laying down priorities in terms of policy objectives and watch over the process in achieving these objectives. Although a few States have taken steps in this direction, it is considered imperative that all State Directorates of Industries should be asked to set up such a cell which will be also helpful in co-ordinating the work of the District Industries Officers and in maintaining close liaison with the Organisation of the Development Commissioner (SSI).
48	4-54	In the view of the Group, the machinery already evolved for effecting co-ordination should be adequate but it appears that there is considerable room for improvement in the existing arrangements for co-ordination. In this connection the Group would like to invite a reference to the conclusions of the Estimates Committee (1965-66) regarding the working of the present machinery for co-ordination, as given below:— The Committee regret that the Advisory Committees attached to the Small Industries Service Institutes have so far failed to make the expected impact on small scale industries even though these can go a long way towards ensuring the necessary co-ordination between the various Central and State agencies for the development of small scale industries. They hope that the Advisory Committees would be energised. The Committee urge that each Advisory Committee should meet at least once in three months and more often, if necessary, and should watch and ensure the implementation of the decisions reached at each meeting. The proceedings of the Advisory Committee and the action taken thereon should be regularly submitted to the headquarters of the Central Small Industries Organisation

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
		which should collate the experience of the various States and provide necessary guidance. The Committee suggest that the Development Commissioner may review the working of these Advisory Committees with special reference to action taken by State Governments on their recommendations at his periodical meetings with the Director of Industries of the State concerned. “The Committee would also like to suggest that the Advisory Committees should be strengthened by getting into them representatives of the State Bank, Commercial Banks and State Productivity Councils, and a few more small industrialists.”
49	4-55	The Group endorse the view of the Estimates Committee that the functioning of the State Advisory Committee leaves considerable room for improvement and would like to suggest that the Secretary of the Industries Department in the State Government should be nominated as the Chairman of the Advisory Committee in each State to make the co-ordination of the activities and programmes of the Central and State agencies more effective in future.
50	4-56	Although State Governments are primarily responsible for the development of small scale industries, in the opinion of the Group the Central Co-ordinating Agency (DCSSIO) should be in a position to initiate corrective action in the case of pronounced failure on the part of any State Government to implement approved programmes or to fulfil the planned targets. The Development Commissioner (SSI) cannot be divested of the responsibility of exercising a measure of supervisory and co-ordinating authority over the States and to see that the programmes are realistic and practical and are in fact implemented by the States.
51	4-48	The Group are definitely of the view that the DCSSIO should undertake periodical evaluation of the various programmes and their implementation by the State Governments, not only to be able to modify them from time to time in consultation with the concerned States, but also to induce the State Governments to take timely action to secure compliance with the agreed policies and objectives. The Group, however, think that the problems of co-ordination between the Centre and State agencies will be reduced significantly, if the programmes and targets as well as the

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
		allocation of Central assistance to the States are determined in close consultation with the Development Commissioner (SSI), based on a sound appraisal of the needs as well as potentialities of each State.
52	5-9	In the opinion of the Group the NSIC should function mainly as a commercial organisation although in the performance of some of its activities, it may have a promotional bias to give a fillip to the development of small scale industries. The experience of the past 10 or 12 years has also shown that some of the activities assigned to the Corporation do not fit in with the main objectives for which the NSIC was started. The Group feel that assignments of activities relating to the running of Production-cum-Training Centres and construction and management of Industrial Estates do not conform to the main objectives of programme of work of the Corporation. They strongly feel that there should be re-thinking on the objectives of the Corporation and such non-conforming activities as the running of Industrial Estates, P. T. Cs., Training Programmes, which are mainly of a promotional nature, should not form a part of the NSIC activities. The main functions of the Corporation should be clearly spelt out and according to the Group, they should be limited to the following :— (i) Supply of Machinery on Hire Purchase. (ii) Procurement and execution of orders relating to Government Stores Purchase. (iii) Marketing and distribution of Small Industry Products.
53	5-10	Activities indicated against serials (ii) and (iii) above, are of related nature, but they have been mentioned separately from the functional point of view. In the procurement and execution of Government orders, the accent will be on the canalisation of Government purchase to the small scale sector to ensure that a substantial proportion of the Government purchases are made from the small scale industries. The marketing and distribution of small industry products will help fulfil the original objectives for which the NSIC was brought into being, namely, promotion of sales of small industry products

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS—
contd.

Serial No.	Para No.	Summary of Conclusions/Recommendations
		through internal marketing and exports. The Group feel that there being several organisations like Export Promotion Councils, the State Trading Corporation, etc. to look after the export market, the real service which can be rendered by the NSIC to small industries is in the field of internal distribution of the products of small industries. The Corporation can render considerable help to accelerate the development of small industries through proper marketing of their finished goods. Until the recession set in, the economy was ruled by the seller's market and the small scale industries were not faced with any serious problem in the disposal of their products. In fact the problem was one of general shortage of goods and the small scale producers could easily sell their products at a reasonable profit. The current recession has, however, underlined the need for giving marketing help to accelerate the tempo of development of small scale industries.
54	5-13	The Group would like to emphasise in this connection that the role of the NSIC in marketing the products of small scale producers will be somewhat different from that of the marketing organisation in the private sector. A private organisation would not normally take over the role of building up a supplier. This role of building up a supplier and creating a market is partly commercial and partly promotional and should be undertaken by an organisation like the NSIC which has been set up for small business promotion in the country. The Group are aware that in the very nature of things, the marketing service of the type envisaged cannot be a profit earning proposition from the beginning and would suggest that financial deficits which might be unavoidable in this type of activity in the initial stages may have to be made good by the Government for a reasonable period.
55	5-14	The Group feel that the Corporation has been considerably handicapped in its activities due to lack of resources. With the paid-up capital of only Rs. 50 lakhs and loans and credits exceeding Rs. 17 crores, the financial position of the Corporation leaves much to be desired. The Group have been given to understand that the Government are willing to convert a portion of their loans into capital assets to raise the paid up capital to about Rs. 3½

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
		crores, but the existing commitments of the Corporation in respect of hire-purchase activities would hardly leave any margin for other activities in spite of the proposed increase in the paid up capital. The Group would, therefore, strongly urge that the financial position of the Corporation should be put on a sound footing by augmenting its resources in keeping with its objectives and the importance which is attached to the rendering of marketing assistance to small scale industries in the country.
56 5-14(a)		The Group are also of the opinion that the Corporation should be divested of the responsibility of running the PTCs. The administration and management of these Centres should be placed in charge of a separate Central body to be constituted for the purpose. The management of Industrial Estate at Naini should also be handed over to the State Government as early as possible to enable the Corporation to concentrate their efforts on the important fields of their activity, as suggested in para 5-9.
57 5-18		The Group feel that the importance of small Industries Corporation in the matter of procurement and distribution of scarce and critical raw materials will not diminish to any appreciable extent and, therefore, welcome the recent decision to canalise the supply of scarce categories of indigenous steel controlled by the Joint Plan Committee through the State Small Industries Corporations. The Group think it necessary to strengthen the role of State Small Industries Corporations by canalising the distribution of scarce and critical raw materials through them so that they can have an effective role in safeguarding the interests of small consumers.
58 5-19		To strengthen the hands of the State Small Industries Corporations as a raw material bank for the small scale industries and to improve the economic viability of their transactions, it is necessary to ensure sufficient sales turnover and the Group would like to recommend that the distribution of imported non-ferrous metals should also be entrusted to the State Corporations. Further, the State Corporations should form a consortium which will pool the requirements of non-ferrous, scarce and

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
		imported materials in the various States with a view to placing bulk orders on the foreign suppliers to secure the advantage of lower quotations. The State Trading Corporation and the Minerals and Metals Trading Corporation should also appoint them as their business associates for the import of canalised items under the Trade Plan provisions.
59	5-22	The Group feel that the State Corporations, by and large, have not taken an active interest in the procurement of Government orders for the small scale industries. One reason, of course, that they are not properly equipped and staffed to render assistance to small units in the matter of compliance with drawings and specifications. Having regard to the importance of the Government Stores Purchase Scheme on furthering the development of small scale industries the Group would suggest that the Small Industries Corporations without exception should participate in the Government Stores Purchase Programme at the Centre and in the States. It should be possible for the Corporations to realise a token service charge from the participating units to cover the establishment expenses needed for the provision of effective service to them. The State Governments also may agree to reimburse the deficits incurred by the State Small Industries Corporations in the operation of the schemes.
60	5-24	The Group feel that in view of the facilities offered by the NSIC, State Bank of India and also the established manufacturers of machinery regarding supply of machinery on hire-purchase terms, the State Small Industries Corporations should give relatively low priority to this activity and generally restrict their scheme to the supply of indigenous machinery to rural and semi-urban areas. This will ensure a better spatial distribution of resources and help extend the benefit to less industrialised parts of the State.
61	5-26	The Group feel that participation in equity capital is an effective method of small industry promotion particularly in backward areas, but the terms of participation should be carefully laid down. In any case the extent of participation in equity capital should not be above 50% to ensure that the small entrepreneurs have a substantial stake in the business. However, each Corporation should try to extend its activity in this behalf

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
		according to its resource in terms of personnel and finance as it will be necessary to exercise managerial control and supervision over the assisted units.
62	5-28	While the management of existing units may be undertaken by the State Corporations at the request of the State Governments concerned, even this should be done for a limited period only. The Group feel that the Corporations should not in principle own or control or manage any unit except as a promotional measure in backward areas where entrepreneurs may be reluctant to start industries. Complaints have been received that the State Corporations are entering into competition with the small industrialists by participating directly in industrial ventures and are also seeking preferential treatment from the State Government in the matter of Government purchases. The Group would strongly suggest that this activity should not be undertaken by the Corporations except in very special circumstances, and even so it will be the endeavour of the Corporation to hand over these ventures either to the co-operatives of the workers or to private entrepreneurs who may come forward to run the enterprise on their own.
63	5-29	The Group would like to emphasise that although the State Small Industries Corporations have been set up to promote the growth of small scale industries, they have mainly to undertake commercial operations and have very often to compete with various agencies in the private sector. It is, therefore, very necessary that the person holding the key post of Chairman of the Corporation should not only be conversant with commercial and business practices but also be experienced in dealing with the public. It is as necessary to project "a satisfying image of a service organisation as to ensure the efficient performance of function". The Group feel that the Chairman of the Board of Directors of State Corporation should be a prominent person conversant with problems of small scale industries and with wide knowledge of industrial and economic development. The Managing Director should be selected in consultation with the Chairman from among persons with adequate experience in trade, banking or industry. In the case of

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
		deputation of a Government officer to hold either of the posts, the period of deputation should not be less than three years and not more than 5 years.
64	5-30	The Group also feel that the State Governments should provide adequate funds to the State Small Industries Corporations for the discharge of various functions allotted to them to accelerate the development of small industries. Deficits incurred by the Corporations in the operation of schemes of promotional nature, as distinct from commercial activities, should be subsidised by the State Governments.
65	5-45	The Group would like to mention that training is the primary objective of SIET Institute and research studies are need to give faculty experience, maturity and confidence for training and for service. It will be basically wrong to give exaggerated importance to the research function so as to introduce a research bias in the whole programme of the Institute to the detriment of the training and service function.
66	5-46	In the opinion of the Group, the SIET Institute should be developed as a full-fledged Institute for the extension personnel in the small scale sector. Its programme should be enlarged and intensified so as to include training of personnel from the DCSSIO and the State Governments in areas or subjects which will be directly relevant to the sphere of their duties. The Institute should also arrange training of trainers from Small Industries Associations which offer to organise their own training courses, provide specialised courses in different branches of management; and arrange training seminars for senior administrators of the Industrial Development Programme at the Central and State level. The Group regret to note the lack of necessary collaborative and co-ordinating spirit between the SIETI and the DC(SS)I.
67	5-47	The Group feel that there should be intimate discussion and collaboration between the Institute, DCSSIO and the State Governments to determine the course content, method and techniques of teaching to ensure participation of the Central and State Governments in the training programme of the Institute on a regular and continuing basis. The research programme of the Institute should be ancillary to the training programme and should be undertaken mainly

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS-- *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
		to throw up case material for improving the course content and refining the teaching methods. The study of applied research problems relating to small industries should also receive attention. But profit earning should not be any motive of a training institute.
68	5.48	There is an urgent need to pool the vast amount of technological knowledge and information that is already available with the DCSSIO and the CSIR and also arrange for the collection and compilation of results of technical research in different countries of the world. Such factual information for studying new techniques and new processes and their applications in improving quality and designs of industrial consumer products will be of great help in evolving appropriate technology for small scale industries. The SIET Institute should be responsible for pooling together, analysing and transmitting to the ultimate users the vast amount of scientific and technical information which is available in the country and outside.
69	5.49	The Group would suggest that a Small Industries Technical Documentation and Communication Centre should be set up by the Institute on a priority basis. The emphasis in the working of the centre should be on the prompt compilation of the results of latest research in the field and laboratories and transmission of technologically useful information to industrial extension personnel and small scale industries.
70	5.50	Next to the Governing Council and perhaps the more than the Council, the Principal Director is the key person in the administration and management of the Institute and it would be no exaggeration to say that the efficiency and impact of the Institute would depend in a great measure on the energy, initiative and imagination he can bring to bear on the programme and activities of the Institute.
71	5.51	The Group strongly feel that the Principal Director should be carefully selected from among persons who are emotionally involved in the small industries programme and have long and varied experience in the field of small scale industries. The post should not be considered as a kind of refuge for officers who cannot be suitably placed elsewhere. The Group would also like to point out that in a short

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
		period of six years the Institute has had four persons as Principal Directors and it is not desirable to make frequent changes in the Principal Directorship as the incumbent must have time to implement his ideas and make an impact on the programme and working of the Institute.
72	5-52	The General Body of the Governing Council of the Institute provides the necessary leadership and coordination at the national level, but the real leadership and continuous guidance can come only from the main executive of the Government responsible for the planning, direction and co-ordination of the small industries programme in the entire country, i.e. the Development Commissioner, Small Scale Industries. Therefore, to ensure close liaison between the Institute and the DC(SSI), he was initially made the Chairman of the Governing Council; it is regretted that subsequently this was changed. The result has been extremely unfortunate, may disastrous. The relations with the DC (SSI) are very strained at present and the internal administration of the Institute is almost on the verge of collapse. The Group have no hesitation to say that the Development Commissioner (SSI) should again be made the Chairman of the Governing Council of the Institute to ensure close co-ordination between the most important organ of the Government for the development of small scale industries in the country, i.e. the Organisation of the DC (SSI) and the main agency for the training of the extension personnel concerned with the operation of the small Industries Programme, i.e. the SIETI.
73	5-53	The Group feel that the Principal Director should have frequent contact with the State Directors of Industries and Small Industries Service Institutes besides being in the closest touch with the Development Commissioner to be able to cater to the training needs and requirements of the main clients and to modify and adopt the training courses to be of maximum usefulness to the clients.
74	5-54	The Institute should also take steps to hold seminars in industrial estates to interest the small scale tenant units in the training courses and also to evolve short term courses suited to the requirements of small plant owners in areas or fields which will be of considerable benefit to them.

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
75	5-55	At present there is almost complete lack of collaboration between the Principal Directors and the Faculty Members and this has lead to almost a total collapse of the internal administration. The Group feel that there is need for intimate interaction and frequent consultation between the Principal Director and the Faculty Members and that a system of weekly discussion with all Faculty Members should be introduced by the Principal Director to keep a running check on the progress of training courses and also to secure a substantial measure of functional and emotional integration among the faculty members of the Institute.
76	5-56	The teaching faculty should generally consist of persons drawn from the fields with active experience of work in the promotion of small industries and it would be desirable to rotate the faculty members between teaching and promotional jobs so as to give the desired practical bias to their training activities and teaching methods. The Group also feel that senior officers of the State Directorate and the DCSSIO should be invited as 'guest speakers' to help the SIET Institute in running training programmes on practical lines.
77	5-57	The recruiting programme of faculty members should be reviewed to secure talent, maturity and practical experience. It may be necessary to allow higher pay in the present scales to attract qualified and experienced people.
78	5-58	It has been found that the training activity has suffered consequent on the deployment of faculty members on research programmes. The Group are of the view that the teaching faculty members employed on research work should be substituted as early as possible to ensure that there is no set-back to the training programme on account of deployment of staff on research projects.
79	5-59	The Group feel that top level international consultants who have acquired eminence in the disciplines in question may be drawn to the Institute for a period of three to four months, as collaboration with such consultants will help upgrade the skill and expertise of the Indian faculty. It will, therefore, be desirable to utilise foreign grants to have a small group of foreign consultants to associate with the Indian faculty members of the Institute in specialised fields.

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
80	5-60	The Group are also of the opinion that the proper conduct of international courses requires careful planning and preparation. As a preliminary to these courses, the Institute's library should be well equipped with adequate material about various developing countries. The training material also need to be prepared and documented carefully before the commencement of the course. Another important facility required for international course is an international hostel and a separate training wing with suitable seminar room. The Group would suggest that necessary funds should be made available to the Institute to enable it to conduct the international courses in a proper atmosphere and with the help of facilities which are absolutely indispensable for such courses.
81	5-61	The Group feel that the annual grant to the Institute of Rs. 12 lakhs should be adequately increased to enable the Institute to upgrade training facilities and to undertake research projects for building up teaching material without being forced to give priority to projects which are of no direct relevance to the small industry programme, but may yield a sizable income. The Group would discourage the idea of making the Institute even partially self-paying, as a training institute, should not generally be meant so.
82	5-62	Knowledge and expertise of the faculty of the Institute should be continuously upgraded through re-training in India and abroad. It is suggested that the faculty members should be sent for foreign training in batches of 3 to 4 every year and the Ford Foundation grants which are offered for such training should be availed of to meet the expenses in regard to foreign training of the faculty members of the Institute.
83	6-18(a)	The State Financial Corporations have developed a preference for investing their funds in the medium scale units and the bigger among the small scale units, with the result the really small units, which need institutional credit most, are left to fend for themselves or take recourse to hundi system at an exorbitant rate of interest.
84	6-60	The Working Group is definitely of the opinion that the flow of institutional finance to the small scale sector should be enhanced to cover bulk of the requirements of the

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS—
contd.

Serial No.	Para No.	Summary of Conclusions/Recommendations
		small producers for different types of credits and that the small scale sector should get its proper share of the industrial credit, more or less in proportion to its contribution to the industrial production, employment and in keeping with its role in the national economy.
85	6·61	The social control over banks should be so exercised as to yield concrete results in favour of small scale industry sector in the form of easier availability of credit through greater reliance on the techno-managerial competence and viability of the units. The credit policy should be operated with a bias in favour of the small man who may not be considered satisfactory banking risk in the conventional sense, but is otherwise sound from the techno-managerial point of view.
86	6·62	The Organisation of the Development Commissioner and also the Small Industries Associations should put in a special effort to convince the small industrialists about the need and importance of adopting modern accounting methods so as to be able to give facts and figures regarding their credit-worthiness for the satisfaction of the lending institutions.
87	6·63	A suitable machinery should be set up at the State level to ensure effective co-ordination among the different financing agencies so as to avoid duplication and overlapping, and to provide the credit requirements of small scale units on an integrated basis. Such a co-ordinating body should have representation not only from the financial institutions concerned, but also from the small industries sector, the State Directors of Industries, the Reserve Bank of India and the Chairmanship of the Organisation should preferably go to the Director of Industries as the State Government is to function as the 'Central driving force' in the development of small scale industries within the State.
88	6·64	It is necessary to encourage the provision of equity capital by financing institutions to educated and technically qualified young entrepreneurs as well as experienced technicians, subject to techno-economic feasibility of their schemes. The Reserve Bank should consider provision of additional guarantees to induce financing institutions to advance loans by way of equity capital to help a large number of prospective entrepreneurs set up small scale industries in new and sophisticated lines. The concept of the

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
		equity and what constitutes the debt-equity ratio will have to be given a new dimension in terms of a positive policy of promotion of small scale industries.
89	6-65	Block loans under the State Aid to Industries Acts may be utilised by the departmental officers to finance artisans and small units in villages and small towns provided the amount of loan does not exceed Rs. 10,000. All loans under the Act in excess of Rs. 10,000 should be institutionalised and canalised through the S.F.Cs. who should make advances to small industrialists under the Act out of their own funds. The difference in the rate of interest as charged by the S.F.C. on such loans and their usual lending rate should be subsidised by the State Government.
90	6-66	It is found that contribution of the working fund of the State Financial Corporations by the State Governments is to the extent of 6 to 7 per cent and that by the Reserve Bank of India and the Industrial Development Bank of India (IDBI) is 20 to 23 per cent and 30 to 33 per cent respectively. The contribution of Life Insurance Corporation, Co-operative Banks and individuals amounted to 35 to 38 per cent. Internal resources from plough back of profit accounted for about 2 per cent of the working funds. It is absolutely necessary to augment the resources of the S.F.Cs. by enhanced capital and loan contribution from the State Governments, subscriptions to capital and bonds from LIC, General Insurance Companies, Co-operative banks, State Bank of India, Reserve Bank of India and IDBI liberal refinancing and underwriting of debentures of the S.F.Cs. by Industrial Development Bank. The refinancing by the IDBI should be automatic when credit guarantee is obtained.
91	67	The State Bank of India should adopt a bolder credit policy towards small industries by allowing higher credit limits and reducing the margins retained by them so as to accelerate the flow of credit to small scale units. The whole question of margins should be reviewed in the interest of the rapid development of the small scale sector as the retention of high margin has been acting as a damper on small scale industrialists eagerness to get financial accommodation from the State Bank of India.

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
92	6-68	The State Bank of India should encourage the grant of 'factory' type loans for working capital on a more liberal basis and also allow clean advances to clients with good records about loan repayment and operational performance. The smaller units who are without regular books of accounts but who have established their competence in the production and marketing of their goods should be covered by the State Bank of India under their liberalised scheme and should be encouraged to apply for credit limits from the Bank. The Organisation of the Development Commissioner, Small Scale Industries, should make special efforts to train them in book-keeping according to a simplified system.
93	6-69	Hitherto the institutional credit has gone to relatively big and better organised units and also to conventional industries. The smaller units numbering 1.5 lakhs, which numerically and otherwise form a 'corpus' of the sector are as yet out side the pale of institutional finance. It is absolutely necessary to extend the benefit of the liberalised credit scheme to such units to wear them away from non-institutional sources which are advancing loans to them at exorbitant rates of interest.
94	6-70	The State Bank of India should arrange for the training of their Branch Officers and staff in the Small Industry Extension Training Institute to give them proper orientation for the implementation of the new credit policy as the staff, attitude or prejudice is an important drawback tending to neutralise the effect of the liberalised credit policy.
95	6-71	The instalment credit granted by the State Bank of India should be simplified further and the margin may be brought down to 20 per cent from the usual 30 per cent. The period of the loans under the scheme may be extended from the present limit of 5 years to that of 10 years in the case of loans exceeding Rs. 50,000.
96	6-72	The Commercial Banks need radical change in their outlook and attitude to the grant of loans to small scale units. The Reserve Bank of India may call for periodical returns showing the loans to small scale industries by specified categories of industries and also by size of the applicants' investment in fixed assets.

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
97	6.73	It is estimated that the Commercial Banks will have to make about Rs. 300 crores available to the small scale sector by way of loans to meet their working capital needs by the end of the Fourth Plan period. The Reserve Bank of India may consider incentives to be offered to the Commercial Banks for giving loans to small scale units on the same basis as the State Bank of India under their liberalised scheme.
98	6.74	While the Indian Banks' Association may set up regional agencies for giving expert help to the commercial banks to prepare technical assessment reports on the applications for loans, the important commercial banks should set up their own technical wings at least at their local head offices to expedite the processing of loan applications.
99	6.75	It is felt that the discrimination shown against the weaker section of the small scale sector in the matter of institutional finance because of certain built-in deficiencies cannot be easily overcome even in the context of substantial liberalisation of the credit policy under the new social control scheme. Since this segment of industries is in the aggregate a very important sector from the point of view of its contribution of both employment and production, necessary measures would have to be adopted to see that it is not starved for want of finance as at present. The Reserve Bank of India and the Ministry of Finance may give their anxious consideration to the desirability of adopting special measures to help this segment of the small scale sector which suffers from certain inherent disabilities, if the operation of the new policy of social control over the bank assistance fails to improve the supply of institutional credit to these enterprises. These units not only have to secure loans from non-institutional sources at an exorbitant rates of interest but often have to mortgage their products to the lenders at a lower price than what they would fetch in the market. The Group feel that this type of exploitation of the weaker sector by the money-lender should not be allowed to continue.
100	6.76	The Group feel that in order to substantially augment the supply of credit to the small scale sector in future, it would be desirable for the Government to examine the

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS—
contd.

Serial No.	Para No.	Summary of Conclusions/Recommendations
101	6-83	feasibility of allowing such State level institutions as the State Small Industries Corporations to take up direct financing of small industries. The Group feel that the present classifications which discriminates against the small scale sector should be reviewed with a view to bringing some of the important small scale industries within the priority group in view of their importance in terms of contribution to employment and output of the industrial sector in the country. The Group would, therefore, suggest that such important small scale industries as plastic conversion products, dyestuff, clocks, time-pieces, wire drawing, both ferrous and non-ferrous etc. should be included in the priority list of industries. Although it is true that the plastic conversion industry is likely to become self-sufficient in the matter of supply of basic raw material from indigenous sources, it will be of considerable help to the industry to tide over the prevailing shortage of such materials as high density polythene granules, which is likely to continue for quite sometime.
102	6-85	The Group feel that the present discrimination in the matter of classification of ancillaries (with two exceptions only) as non-priority is acting as a handicap to the growth of the ancillary industries sector and there is every justification for such units getting import assistance in line with those in the priority category. In order to do away with the administrative difficulties with regard to the classification of ancillary industries, the Director of Industries or the Director of the Small Industries Service Institute may be required to issue a certificate to deserving ancillary industries for according the priority treatment in respect of import assistance.
103	6-86	The Group have been given to understand that Industries which are covered under the Industries (Development & Regulation) Act, 1951, can diversify their production by manufacturing new items that fall under the list of priority industries and for that purpose additional imported raw materials would be granted to them. The Group have been told that the aforesaid relaxation does not apply to industries in the small scale sector as such industries do not get covered under the Industries (Development & Regulation)

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— contd.

Serial No.	Para No.	Summary of Conclusions/Recommendations
		Act, 1951. The Group feel that a number of small scale units in the non-priority sector could be induced to diversify their production by manufacturing items classified in the priority list, if liberal import facilities are made available to them as is being done in the case of their counterparts in the large scale sector. At present there is no scheme under which a small scale unit can avail of additional import of raw materials by diversifying its production. The Group would, therefore, suggest that the above relaxation should also be extended to small scale industries to the extent to which it is applicable to units covered under the Industries (Development & Regulation) Act, 1951.
104	6-88	The Group are of the opinion that where the MMTC have not been able to effect physical delivery of the material within three months against the release orders issued on them, such release order(s) should be automatically converted into import licence(s) and the actual users should be allowed to import direct.
105	6-90	This arrangement to safeguard the interests of small scale industries has not produced the desired result, as there are long delays in processing of indents from small scale sector and supplies against orders passed by the Steel Priority Committee and, as such, the agreement to accord priority to the needs of the sector has remained mostly on paper. The Group feel that in processing the indents, the Joint Plant Committee should keep in view the special interests of the small scale sector in future and help expedite decisions without any undue time-lag.
106	6-92	The Group are of the opinion to start with, at least 15% of the indigenous production of E.C. Grade Aluminium should be reserved for the small scale sector for distribution on the recommendation of the Director of Industries of the State concerned. Alternatively, the Ministry of Steel, Mines and Metals, Department of Mines and Metals should work on a system whereby the main producers should secure regular and adequate supplies of the material at reasonable price to the small scale industries.
107	6-94	The Group would, therefore, suggest that the Department of Mines and Metals and the Director General of Technical Development should consider the desirability

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
		of equalisation of the prices of the indigenous and imported materials, as was done earlier in the case of steel. The Group would also like to emphasise the need for bringing down the price of indigenous zinc to make it competitive with the imported zinc.
108	6-96	The Group would also like to endorse the suggestion made to them that the large scale processors of technical materials should not be allowed to engage in the manufacture of finished products themselves except for the use of captive capacity.
109	6-98	The Group feel that there is nothing wrong in exercising the powers vested in Government under the Act to direct scheduled industrial units (large scale processors) to make compulsorily available a portion of their production at reasonable prices for the use of the small scale sector, in view of the importance of maintaining production and employment at steadily increasing level.
110	6-101	The Group are of the opinion that on the question of canalisation of import of raw materials for the small scale sector, there should not be any discrimination between the large scale and small scale sectors. So long as the large scale industries are allowed to import certain scarce items on individual basis directly instead of being subjected to canalisation through MMTC/STC, the same privilege should be extended to Small Scale Industries Corporation. Further, so long as the large scale units are allowed to import and negotiate price individually and so long as there is no single price Negotiating Committee for the small scale units, the small scale units should also be allowed to negotiate on the same basis as the large scale units preferably on a collective basis. The Group would strongly recommend this course of action as it would strengthen the role of the State Small Industries Corporation in acting as the servicing agency for the small scale units in the matter of procurement of imported raw materials against import licences of small value granted to small scale applicants.
111	6-105	The Group regret that the policy of the Government to canalise a substantial portion of the Government purchases to the Small Scale industries to give a fillip to the deve-

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS-- contd.

Serial No.	Para No.	Summary of Conclusions/Recommendations
		lopment of this section has been practically nullified by the manner in which the policy has been implemented. The tendency on the part of purchase officer to equate large units with small in the matter of Government purchases has had very unfortunate results from the point of view of small scale industries. The Group view with dismay the general failure of the Central Government Stores Purchase Policy and would urge the Government very strongly to lay down that the grant of price preference should be automatic, subject to the competence of the small scale unit to manufacture the item of stores according to the requirement of the indenting department. Since the small scale units are enlisted under the Government Stores Purchase Programme after their technical competence has been assessed and certified by the Small Industries Service Institute, it should not be necessary for the purchasing department to go into the question of competence of the enlisted small scale units at the time of exercising the price preference in their favour. The Purchasing Departments of the State Governments also are not generally giving price preference of 15% to small scale units. The State Governments should issue executive orders to require the purchasing departments under their control to give 15% price preference to small scale units in respect of items manufactured by both large scale and small scale units, subject to the overall condition that the products have to be made according to the required specifications.
112	6-110	The Group are definitely of the view that this list is of not much value to modern small industries as the items mentioned in the list are largely products of traditional industries. The Group would, therefore, recommend that a high-level Committee should be set up with the representatives of the DGS&D, DGTD and DCSSI and of the Railways and Defence Department to review the whole question and to prepare a substantial list of items to be reserved for exclusive purchase from the small scale sector.
113	6-127	<i>Re ; Public Sector Undertakings.</i> The Group feel that the large scale undertakings in the public sector should set an example in the development of ancillary units, which can serve as stimuli to the

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS— *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
		private sector as well. All project reports of large scale undertakings in the public sector during the Fourth Plan should be cleared with the Development Commissioner (Small Scale Industries) so that the manufacture of parts and components which are being made or can be made competently by the small scale sector are not provided for in the schemes, in order to create substantial scope for ancillary units to participate in the production of these components and accessories.
114	6-128	All undertakings in the public sector should set up ancillary industrial estates on the lines of the Hindustan Machine Tools Ltd., Bangalore.
115	6-129	In the existing public sector undertakings, a thorough scrutiny of parts and components required for each assembly must be made by competent technical persons with a view to determining what are the items that can be conveniently manufactured by ancillary units in and around the undertaking and also the items which can be framed out to be proposed ancillary units in the industrial estates.
116	6-130	It should be the primary responsibility of the public sector undertakings to provide technical assistance, tooling and testing facilities to ancillary units as it will be ultimately economical and more convenient for the undertakings to get the parts and components manufactured properly in the ancillary units in their vicinity. Scarce indigenous raw materials along with imported raw materials and components required to build the sub-assembly should be supplied by the undertakings to the small scale ancillary units as far as possible.
117	6-131	Since the uncertainty about the flow of orders on a regular and a continuing basis has been a great handicap in the development of ancillary units, it will be advantageous if long-term purchase arrangements are made by the public sector undertakings with the small scale ancillary units to give them a sense of security and encourage them to develop new items.
		<i>Private Sector Undertakings</i>
118	6-132	The Group strongly feel that in respect of all large scale undertakings licensable under the Industries (Development & Regulation) Act, it should be made an integral

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS-- *contd.*

Serial No.	Para No.	Summary of Conclusions/Recommendations
		part of the licensing procedure that any large scale unit applying for industrial licence will have to indicate clearly which are the parts and components and accessories to be sub-contracted to small scale ancillary units and the total value of such orders in a year.
119	6.133	There should be the closest co-operation and co-ordination between the DGTD and the DCSSIO in order to promote a healthy and co-ordinated development of both the small scale and large scale sectors of an industry. The Group feel that Government should fix a clear responsibility on the Licensing Committee also to ensure that wherever sub-contracting and ancillary production is feasible, the industrial licences to the large units should be granted after eliminating the scope for production of components and sub-assemblies which can be competently produced by the small scale units.
120	6.134	The licensing procedure must ensure that possibilities of the small scale sector are fully taken into account by the DGTD on the advice of the Development Commissioner (Small Scale Industries) in respect of each application for licence. It would, however, be futile to expect the Development Commissioner (Small Scale Industries) to make any worthwhile suggestion about the modification of the schemes of the large scale undertakings unless his Organisation at the headquarter is reinforced by high level staff, as recommended earlier by the Group, to deal competently with the applications for industrial licences from the ancillary angle.
121	6.135	In order to put the scrutiny of applications for industrial licences on an objective basis, the Small Industries Service Institutes in each State should prepare a comprehensive list of small scale units capable of manufacturing components and parts relating to large scale undertakings and also make an assessment of the capacity already installed in these units for manufacturing the same. This will not only enable the DCSSIO to base its objections to the grant of industrial licences to large scale undertakings on a realistic basis but also help each Small Industries Service Institute to function as a clearing house of information regarding the capacity available in the small scale sector for manufacturing different parts and

IX. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS—
contd.

Serial No.	Para No.	Summary of Conclusions/Recommendations
		components and establishing a link between demand for a particular component and the prospects of making the same in an ancillary unit. It would be necessary to organise the work of ancillary promotion in each SISI on a planned and systematic basis and to create a cell staffed by competent technical officers to pursue the matter intensively.
122	6-136	The ancillary wing in the DGTD which has the function of locating units to produce components, parts and sub-assemblies for large scale units should work in close liaison with the Office of the Development Commissioner (Small Scale Industries) in view of the necessity of making the Development Commissioner (Small Scale Industries) the 'central driving force' in the development of ancillary industries.
123	7-7	Absence of legal provisions in India to guide and regulate the development of small scale industries has not proved to be a source of strength. In fact, the non-implementation of Industrial Policy Resolution regarding strengthening of decentralised sector and integrated development of the large and small scale sectors has been substantially due to want of laws to implement the objectives of Industrial Policy Resolution and the successive Five-Year Plans. Although the Group have suggested re-formulation of Industrial Policy Resolution with particular reference to the small industries sector, it is felt that a mere enunciation of a new policy will not produce the desired results.
124	7-8	The Group feel that the matter has to be gone into in depth and would, therefore, recommend the constitution of a special committee to go into the whole question covering all basic aspects of small industries development such as, sub-contracting, Government purchase, organisation and finance, with a view to framing suitable legislation for enactment by the Government.

APPENDICES

135—136

सत्यमेव जयते

APPENDICES

APPENDIX I

PLANNING COMMISSION

(VILLAGE AND SMALL INDUSTRIES DIVISION)

Priority accorded to village and small industries in the State Plans

This paper seeks to bring out the following two disquieting trends in regard to the position of the village and small industries in the Five Year Plans:

- (i) the substantial shortfalls in actual expenditure on village and small industry programmes as compared to the outlays provided for them in the Plans, and
- (ii) the progressively diminishing priority of village and small industry programmes in the State Plans.

Both these trends point unmistakably to the lower position in the State Plans to which these programmes are getting pushed, by necessity or choice, or perhaps by both. As the village and small industry programmes are recognised to have a positive and useful role in planned economic development, it is time to take note of these trends and try to reverse them before they go further.

2. The following table shows the position regarding short-falls in expenditure on village and small industry programmes as compared to the performance under other sectors.

(Rs. in crores)

Major head of development	First Plan			Second Plan			Third Plan			Draft Fourth Plan Outlay
	Outlay	Expenditure	% short-fall	Outlay	Expenditure	% short-fall	Outlay	Expenditure	% short-fall	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Village & small industries ..	12.0	9.7	20	69.5	80.9	..	135.7	99.5	27	791
Agri. programmes ..	165.5	153.5	7	470.7	496.2	..	937.8	971.6	..	1918
Irrig. & Power ..	391.6	341.2	13	763.6	798.9	..	1523.6	1771.3	..	2629
Large & medium industries ..	17.4	13.5	23	28.6	39.9	..	79.6	101.0	..	178
Transport ..	103.9	110.8	..	163.4	169.0	..	237.6	287.2	..	380
Social Service ..	297.8	262.9	12	485.5	497.6	..	933.0	910.2	3	1777
	988.2	891.6	10	1981.3	2082.5	..	3847.3	4140.8	..	7073

It will be seen from the above table that under village & small industries, sizeable shortfalls had occurred in both the First and the Third Plans periods. In the First Plan period, while the shortfall in the overall Plan did not exceed 10% of the total Plan outlay, the percentage shortfall in the small industries sector was the highest (20%) as compared to other sectors, except large and medium industries. Again in the Third Plan period, whereas under all important

sectors like Education, Health Agriculture. Irrigation, Power and Transport, the approved Third Plan outlays were considerably exceeded, in the Small Industries sector there was a shortfall of about 27% below the approved outlays.

3. The less than adequate priority accorded by the State Governments in the Third Plan to this employment-oriented programmes of small industries is also borne out from the following table:—

Percentage of outlay and expenditure on village and small industries to that under all heads.

	First plan	Second plan	Third Plan	Draft Fourth Plan
Outlay provided	1.2	3.5	3.5	2.7
Expenditure incurred	1.01	3.9	2.4	

In the First Plan period, the States largely continued the programmes which had been carried on before but the Centre took the initiative to build up a network of all-India Boards for development of different small industries and also to set apart substantial funds for the purpose. The real initiative of the States for development in this sector was exercised in the period immediately prior to the Second Plan. In the Second Plan period, there was not much difficulty about resources and the States also had built up the necessary machinery for promotion of these industries. This is borne out by the fact that the actual expenditure was 3.9 per cent of the total provision made under all heads in the Second Plan period as against the outlay percentage of 3.5 per cent. In the Third Plan period, the performance was much lower at 2.4 per cent.

4. Even more striking is the lower and steadily receding priority accorded to the village and small industry programmes as measure in terms of the percentages of expenditure incurred on them to the total expenditure on all programmes in the State Plans. The figures in the table below speak for themselves.

(Percentages)

States	First Plan	Second Plan	Third Plan						Fourth Plan	
			61-62	62-63	63-64	64-65	65-66	61-66	66-67	67-68
Andhra Pradesh	0.3	4.8	4.0	2.7	2.5	2.3	1.9	2.5	1.4	1.5
Assam ..	0.5	4.8	3.6	2.3	2.4	2.4	2.1	2.4	1.5	1.8
Bihar ..	0.6	3.9	2.0	1.3	1.2	1.8	2.3	1.8	1.3	1.2
Gujarat ..	0.8	3.3	1.7	0.8	0.7	0.9	1.3	1.0	0.9	0.8
Jammu & Kashmir	6.5*	4.2	3.8	2.7	1.9	1.5	1.8	2.3	2.8	2.3
Kerala ..	1.3	5.4	4.5	3.9	3.1	2.8	4.6	3.7	3.1	4.0
Madhya Pradesh	1.0	2.5	1.8	2.2	1.5	2.4	1.6	1.8	1.3	1.2
Madras ..	0.7	6.9	4.1	7.2	6.4	7.0	5.9	6.4	5.3	4.4
Maharashtra ..	0.4	2.3	0.6	1.4	1.3	1.2	1.4	1.2	0.9	1.0
Mysore ..	1.9	3.7	1.8	1.8	1.4	1.4	1.6	1.7	1.2	1.5
Orissa ..	1.5	4.0	2.7	2.0	2.1	1.5	1.8	1.9	1.3	1.5
Punjab ..	1.3	2.7	3.8	3.7	3.6	3.3	3.2	3.5	2.4	3.3
Rajasthan ..	1.5	3.0	2.0	1.4	0.7	0.5	0.5	0.9	0.2	0.3
Uttar Pradesh	2.7	4.0	3.4	3.0	2.9	2.0	1.6	2.3	1.0	1.1
West Bengal ..	0.9	3.7	3.2	1.7	1.1	1.5	1.6	1.7	1.4	1.9
Haryana ..	..	..	..	..	..	..	..	..	2.2	1.6
Total ..	1.1	3.9	2.9	2.6	2.3	2.3	2.1	2.4	1.6	1.7

*On the basis of expenditure inclusive of large and medium industries.

Two statements I and II are enclosed indicating the outlays, expenditure and percentage in detail.

5. It will be observed that the percentage of expenditure incurred on village and small industries declined from 3.9 per cent. in the Second Plan to 2.4 per cent. In the Third Plan, Annual percentage figures are available only from the Third Plan onwards. From 2.9 per cent. in 1961-62, the figure dipped down to 2.1 per cent. in 1965-66 and will go down to about 1.6 per cent in the first two years of the Fourth Plan. As regards individual States, the performance in Bihar, Kerala, Gujarat, Rajasthan, Mysore, Orissa, Uttar Pradesh and West Bengal has been disappointing. The performance in Andhra Pradesh and Assam is also unsatisfactory. The position in Madras and Punjab seems to have been more or less maintained.

6. The programmes for development of different village and small industries are essentially programmes of assistance in different forms, such as, credit, technical advice, training facilities, supply of improved tools and implements on easy terms, promotion of co-operatives, establishment of sales depots, etc. It is, therefore, more true of this sector than some others that the programmes could easily be adjusted to fit in with lower financial provisions, but the impact of the adjustments made as a result of reduction in outlays is bound to become visible in the next few years. For instance, reduction of the outlays for the handloom and powerloom industries, particularly powerlooms will lead to a reduction in the output of cloth in the co-operative sector of these industries. Similarly, reductions for the programme for sericulture, coir and handicrafts would affect the export potential of these industries. A smaller programme for small scale industries and industrial estates would affect the availability of a large range of consumer goods and simple producers' goods. Finally, the total impact of all these reductions would also be reflected in slowing down the pace of progress in achieving some of the important social and economic objectives, viz., creation of immediate and permanent employment on a large scale at relatively small capital cost, mobilisation of resources of capital and skill which might otherwise be inadequately utilized, more equitable distribution of national income, integration of the development of these industries with the rural economy on the one hand and large scale industry on the other, adoption of improved techniques and more efficient forms of organisation and dispersal of industries to smaller towns and promising rural areas.

Statement I—Expenditure in the First, Second and Third Plans of States on Village and Small Industries as percentage of the total Plan expenditure.

State	First Plan			Second Plan			Third Plan			Fourth Plan			1967-68 (As proposed by Programme Advisers)		
	Total expenditure	Expenditure on VSI	%	Total expenditure	Expenditure on VSI	%	Total expenditure	Expenditure on VSI	%	Total Exp. (Anticipated)	Exp. on VSI	%	Total Outlay approved on VSI	Outlay approved on VSI	%
	(Rs. lakhs)			(Rs. lakhs)			(Rs. lakhs)			(Rs. lakhs)			(Rs. lakhs)		
A. P.	9,870	32	0.3	18,064	863	4.8	34,786	892	2.5	9,486	134	1.4	6,898	96	1.3
Assam	2,106	10	0.5	6,315	306	4.8	13,348	331	2.4	2,753	43	1.5	3,600	54	1.8
Bihar	7,326	40	0.6	17,687	684	3.9	31,711	580	1.8	7,660	103	1.3	8,055	100	1.2
Gujarat	2,921	23	0.8	14,683	485	3.3	23,909	258	1.0	5,544	49	0.9	7,000	60	0.8
J. & K.	1,109	73*	6.5	2,682	114	4.2	6,046	140	2.3	2,045	59	2.8	2,025	45	2.2
Kerala	2,611	33	1.3	7,900	430	5.4	17,930	676	3.7	4,285	133	3.1	4,263	170	4.0
M. P.	7,418	74	1.0	14,550	362	2.5	29,396	551	1.8	5,234	73	1.3	6,037	75	1.2
Maharashtra	6,619	67	0.4	21,403	498	2.3	43,616	555	1.2	12,698	117	0.9	12,238	125	1.0
Madras	8,563	59	0.7	18,619	1,272	6.9	34,068	2,182	6.4	8,047	431	5.3	7,728	345	4.4
Mysore	4,413	82	1.9	13,872	512	3.7	24,410	409	1.7	5,562	71	1.2	6,025	95	1.5
Orissa	1,832	27	1.5	8,936	353	4.0	21,935	428	1.9	4,975	63	1.3	4,600	70	1.5
Punjab	4,174	55	1.3	13,143	412	2.7	24,433	861	3.5	3,026	73	2.4	4,200	140	3.3
Rajasthan	2,192	32	1.5	9,986	296	3.0	20,670	201	0.9	4,558	10	0.2	4,300	13	0.3
U. P.	1,055	289	2.7	22,832	919	4.0	56,825	1,348	2.3	14,767	154	1.0	15,500	184	1.1
W. Bengal	7,455	68	0.9	15,584	592	3.7	31,006	535	1.7	6,191	91	1.4	6,087	104†	1.7
Haryana	..	..	..	..	..	..	..	..	..	2,182	50	2.2	2,416	40	1.6
Total	89,154*	970†	1.1	2,08,256	8,098	3.9	4,14,079	9,947	2.4	99,013	1,654	1.6	1,00,372	1,716	1.7

*Total for "Industries & Minerals".

†Adjusted to reorganized States.

‡Provisional.

Statement II—Expenditure in the Third Five Year Plan (Year-wise) Village and Small Industries as percentage of the Total Plan Expenditure—1961—66.

State	1961-62			1962-63			1963-64			1964-65 (Anticipated)			1965-66 (Anticipated)		
	Total Exp.	Exp. on VSI	%	Total Exp.	Exp. on VSI	%	Total Exp.	Exp. on VSI	%	Total Exp.	Exp. on VSI	%	Total Exp.	Exp. on VSI	%
	(Rs. lakhs)	(Rs. lakhs)		(Rs. lakhs)	(Rs. lakhs)		(Rs. lakhs)	(Rs. lakhs)		(Rs. lakhs)	(Rs. lakhs)		(Rs. lakhs)	(Rs. lakhs)	
A. P.	4,970	203	4.0	5,220	141	2.7	6,328	162	2.5	7,786	181	2.3	10,482	205	1.9
Assam	1,778	64	3.6	2,458	57	2.3	2,914	70	2.4	3,101	75	2.4	3,097	65	2.1
Bihar	5,087	105	2.0	5,428	72	1.3	5,701	74	1.2	7,195	134	1.8	8,347	195	2.3
Gujarat	3,571	60	1.7	4,602	40	0.8	4,762	36	0.7	5,110	46	0.9	5,874	76	1.3
J. & K.	1,036	41	3.8	1,155	31	2.7	991	19	1.9	1,260	19	1.5	1,604	30	1.8
Kerala	2,625	119	4.5	2,968	115	3.9	3,316	109	3.1	4,008	112	2.8	4,803	221	4.6
M. P.	3,645	67	1.8	4,836	104	2.2	6,383	96	1.5	6,836	163	2.4	7,696	121	1.6
Madras	5,001	271	4.1	5,870	424	7.2	7,132	480	6.4	7,556	543	7.0	8,309	484	5.9
Maharashtra	5,508	37	0.6	5,915	86	1.4	7,903	103	1.3	9,972	127	1.2	14,318	202	1.4
Mysore	4,281	82	1.8	4,737	84	1.8	5,159	73	1.4	5,113	71	1.4	5,120	100	1.6
Orissa	2,377	68	2.7	3,355	68	2.0	4,785	100	2.1	6,135	98	1.5	5,305	96	1.8
Punjab	3,729	143	3.8	4,109	156	3.7	4,423	162	3.6	6,019	202	3.3	6,153	198	3.2
Rajasthan	3,513	73	2.0	3,617	52	1.4	3,774	27	0.7	4,797	24	0.5	4,969	25	0.5
U. P.	6,833	233	3.4	8,014	245	3.0	9,477	281	2.9	14,465	303	2.0	18,036	286	1.6
W. Bengal	4,078	133	3.2	5,194	92	1.7	6,579	75	1.1	6,806	106	1.5	8,289	129	1.6
Haryana	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Total	57,982	1,696	2.9	67,458	1,767	2.6	79,820	1,847	2.3	96,417	2,204	2.3	112,402	2,433	2.1

APPENDIX II

Small Scale Industries: Central assistance to States during the Third Plan Period
(Rs. in lakhs)

Name of the State	1961-62			1962-63			1963-64		
	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
1. Andhra Pradesh..	..	34.68	64.54	23.48	18.56	42.04	12.55	13.30	25.85
2. Assam ..	..	12.19	21.11	13.38	10.65	23.43	13.31	8.98	22.26
3. Bihar ..	..	26.80	44.73	14.46	9.98	24.44	19.66	10.15	29.81
4. Gujarat ..	..	23.16	32.88	8.83	4.83	13.66	8.62	5.20	13.82
5. J. & K. ..	..	1.60	2.93	1.20	1.41	2.61	1.85	1.48	3.33
6. Kerala ..	..	15.60	26.52	17.35	10.10	27.45	18.00	9.95	27.95
7. Madhya Pradesh ..	..	20.28	32.65	41.00	16.81	58.71	31.01	18.75	49.76
8. Madras ..	..	46.54	82.38	75.31	64.53	139.84	55.43	50.08	105.51
9. Maharashtra ..	..	3.41	5.20	17.73	8.77	26.50	24.66	10.30	34.96
10. Mysore ..	..	6.65	13.44	14.56	9.16	23.72	8.95	5.50	14.45
11. Orissa ..	..	12.73	19.23	9.22	5.53	14.75	13.67	5.33	19.00
12. Punjab ..	..	53.74	80.60	53.95	23.62	77.57	49.42	21.17	70.59
13. Rajasthan ..	..	15.92	24.36	14.49	16.01	20.50	8.19	5.32	13.51
14. U. P. ..	..	82.81	115.87	63.15	41.71	104.86	64.43	48.71	113.14
15. W. Bengal ..	..	21.96	38.92	17.93	13.11	31.04	18.69	10.62	29.31
Total ..	377.42	228.94	606.36	386.94	244.18	631.12	348.44	224.28	573.28

APPENDIX II—contd.
*Small Scale Industries: Central assistance to States during the Third
 Plan Period—contd.*

(Rs. in lakhs)

Name of the State	1964-65			1965-66			1961-66			Proportion of total grants to total loans (Grants/Loans)
	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total	
1. Andhra Pradesh	..	11.25	20.45	29.70	19.51	49.21	111.01	91.08	202.09	0.82
2. Assam	..	11.16	22.05	27.00	8.00	35.00	77.04	46.84	123.88	0.61
3. Bihar	..	37.79	57.67	32.50	20.50	53.00	131.21	78.44	209.65	0.60
4. Gujarat	..	4.96	9.12	8.67	3.33	12.00	54.24	28.24	82.48	0.52
5. J. & K.	..	3.12	5.80	9.70	5.94	15.64	17.47	12.84	30.31	0.73
6. Kerala	..	17.21	27.88	9.59	5.48	15.07	77.75	47.12	124.87	0.61
7. Madhya Pradesh	..	18.78	33.83	7.51	4.70	12.21	119.48	67.68	187.16	0.57
8. Madras	..	78.90	147.97	106.25	43.77	150.02	362.43	263.29	625.72	0.73
9. Maharashtra	..	33.75	52.93	14.89	9.36	24.25	94.44	49.40	143.84	0.52
10. Mysore	..	11.18	18.92	6.67	5.48	12.15	48.01	34.67	82.68	0.72
11. Orissa	..	17.89	32.57	17.39	13.12	30.51	70.90	45.16	116.06	0.64
12. Punjab	..	43.16	80.70	33.71	26.46	60.17	233.98	135.65	369.63	0.58
13. Rajasthan	..	7.97	13.68	3.42	2.28	5.70	49.99	27.76	77.75	0.56
14. U. P.	..	88.69	144.33	55.95	35.01	90.96	355.63	214.13	569.76	0.60
15. W. Bengal	..	25.12	44.11	20.11	12.35	32.46	103.81	72.63	175.84	0.69
Total	..	410.93	712.01	383.06	215.29	598.35	1906.79	1214.33	3121.12	0.64

APPENDIX III

Indian Central Excise Tariff

(As in operation on the 30th June, 1967)

36. *Footwear and Parts thereof*—Footwear and parts thereof, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power.

- | | |
|-----------------------|---------------------------|
| (1) Footwear | ... 10 per cent advalorem |
| (2) Parts of footwear | ... 15 per cent advalorem |

Exemption:

The Government of India exempts footwear falling under sub item (I) of this item and produced in any factory including the precincts thereof, wherein not more than 49 workers are working or were working on any day of the preceding 12 months or the total equivalent of power used in the process of manufacturing footwear does not exceed two H.P. from the whole of the duty of excise leviable thereon.

15. *Soap*—Soap in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power or of steam for heating.

- | | |
|--------------------------------|-----------------------|
| (1) Soap household and Laundry | Rs. 18.00 per Quintal |
| (2) Other sorts | Rs. 38.00 per Quintal |

Exemption:

Soap in or in relation to the manufacture of which no process has been carried on with the aid of power or of steam for heating is exempted from the payment of the whole of the excise duty leviable thereon.

2. The Government of India exempt the first 100 tonnes of household and laundry and the first 50 tonnes of toilet, monopole or textile soap; falling under sub item I of this item cleared for home consumption on or after the 1st day of April in any financial year by any manufacturers whose total production of soap in the preceding financial year did not exceed 500 tonnes from the levy of whole excise duty on it.

31. *Electrical Batteries and Parts thereof.*

1	2	3
1. Dry		15% advalorem
2. Storage		15% advalorem
3. Parts of storage battery—containers, covers & plates		17½% advalorem

Exemption:

Electric Batteries of the type known commercially as stationary batteries are exempted from the payment of whole of the excise duty leviable thereon.

2. The Government of India exempt from the levy of excise duties electric batteries produced in any factory in which not more than five workers are working or were working on any day of the preceding 12 months.

3. Parts of electric batteries of the description as specified in col (1) of the table hereto annexed, is produced in any factory in which not more than five workers are working or were working on any day of the preceding 12 months are exempted from the payment of so much of the excise duty leviable thereon as is in excess of the duty specified in the corresponding entry in col. (2) thereof.

<i>Description</i>	<i>Duty</i>
Containers & covers	... Nil
Plates	... 10 per cent advalorem

14. Pigments, colours paints, enamels, varnish black and cellulose lacquers.

(1) Pigments, Colours, Paints & Enamels	
(i) Zinc oxide red lead, white lead	Rs. 19.75 per Quintal.
(ii) Aluminium paste	75 paise per Kg.
(2) Dry Colours, namely the following lead chrome & Burnswick green	Rs. 17.25 per Quintal.
(3) Water paints	
(i) Dry distemper including cement based water paints	Rs. 17.25 per Quintal
(ii) Oil bound distemper	Rs. 30.50 per Quintal.
(iii) Water pigment finishes for leather	42 Paise per liter.
(iv) Plastic emulsion paint	Rs. 1.05 per liter.
(4) Oil paints & enamels	
(i) Tinting paste (Blue)	75 Paise per Kg
(ii) Stiff paints	Rs. 19.50 per Quintal.
(iii) Ready mixed paints & enamels	65 Paise per liter.
(4a) Dispersed organic pigments used in printing textiles	Rs. 2.50 per Kg.
(5) Pigments, colours, paints & enamels not otherwise specified	Rs. 17.25 per Quintal if sold by weight, 56 paise per liter if sold by volume.

Exemption:

The goods specified in Col. 1 of the table hereto annexed which are cleared by the manufacture for home consumption on or after the 1st day of April of any financial year, in the circumstances and to the extent specified in the cols. 2 & 3 respectively of the said table are

exempted from the payment of so much of excise duty leviable thereon as is in excess of the amount specified in the corresponding entries in col. 4 thereof.

Description of goods	Circumstances in which goods are eligible for exemption	Extent of exemption	Amount
1	2	3	4
1. Dry colours namely lead chrome, Burnswick Green.	The output of all dry colours for the financial year does not exceed 100 metric tons.	(a) on the 1st 10 metric tons. (b) on the next 15 metric tonnes. (c) on Quantity in excess of 25 metric tons.	Rs. 8.75 per Quintal. Rs. 13.15 per Quintal. Rs. 17.25 per Quintal.
2. Water Paints ..	The out put of all water paints for the financial year does not exceed 300 M. Tonnes.	On the 1st 75 metric tonnes of all water paints taken together.	
(a) Dry distemper including cement based water paints.	Do.	Do.	Rs. 12.30 per Quintal
(b) Oil bound distemper.	Do.	Do.	Rs. 23.00 per Quintal
(c) Water pigments finishes for leather.	Do.	Do.	30 Paise per liter.
(d) Plastic emulsion paints.	Do.	Do.	75 paise per liter.
3. Oil Paints & Enamels	The out put of all oil paints and enamels for the financial year does not exceed 3000 metric tonnes.	On the 1st 750 metric tonnes of all paints & enamels taken together.	
(a) Tinting Paste ..	Do.	Do.	55 Paise per Kg.
(b) Stiff Paints ..	Do.	Do.	Rs. 14.30 per Quintal
(c) Ready mixed paints and enamels.	Do.	Do.	50 Paise per litre.
33. Electric Fans.			
1. Table, Cabin carriage, pedestal and air circulator fan not exceeding 40.6 centimeter ..	..	..	Rs. 7.50 per fan.
2. All other fans ..	..	..	Rs. 15 per fan.

Exemption:

Table, cabin carriage, pedestal and air circulator fans not exceeding 22.5 centimeters falling under sub item I are exempted from the payment of so much of the excise duty leviable thereon under the central excise act as is in excess of Rs. 5.00 per fan.

33-A. Wireless Receiver Sets, all sorts including transistor sets and Radio-gramme.

20% advalorem

Exemption:

Wireless receiving sets (other than radiogram and radios with extra space in the cabinet) falling under this item and of the description specified in col. 1 of the table hitherto annexed are exempted from the payment of excise duty leviable thereon as is in excess of the amount specified in the corresponding entry in col. 2 of the said table.

Description 1	Amount 2
Sets whose price at the point of sale to the consumer :	
1. Does not exceed Rs. 165.00 each	Nil
2. Exceeds Rs. 165 but does not exceed Rs. 225	15.00
3. Exceeds Rs. 225 but does not exceed Rs. 300	21.00
4. Exceeds Rs. 300 but does not exceed Rs. 375	30.00
5. Exceeds Rs. 375 but does not exceed Rs. 475	50.00
6. Exceeds Rs. 475 but does not exceed Rs. 575	70.00
7. Exceeds Rs. 575 but does not exceed Rs. 675	90.00
8. Exceeds Rs. 675	100.00

Item 17 (3)

Printing & writing paper, packing and wrapping paper	} 35 Paise per Kg.
Straw Board & Mill Board including grey Board, corrugated Board, duplex, triplex Board etc.	

Exemption:

Straw Board and Mill Board falling under sub item(3) of this item taken together, upto the quantity prescribed in col. (1) of the table below and clear by any manufacturer for home consumption during any financial year, are exempted from the payment of so much of the excise duty leviable thereon as is in excess of the amount specified in the corresponding entry in col. (2) of the said table.

TABLE

Quantity	Amount
On the first 125 metric tonnes	Nil
On the next 375 metric tonnes	16 Paise per Kg.
On the next 500 metric tonnes	20 Paise per Kg.
On the next 500 metric tonnes	28 Paise per Kg.

APPENDIX IV

Industrial Extension Centres, Training Centres and Production Centres

State	Location of the Centres which are functioning	Trade for which facilities are available
(1)	(2)	(3)
1. Andhra Pradesh	1. Sanat Nagar	.. Tool Room and General Engineering and Electroplating.
	2. Vijayawada	.. General Engineering and Foundry.
	3. Papanaidupet	.. Glass Beeds and Glass Tubes.
2. Assam	.. 4. Jorhat ..	.. General Engineering and Electroplating.
	5. Tinsukia	.. Do.
3. Bihar	.. *6. Ranchi	.. Footwear and Leather Goods.
	*7. Dhanbad	.. General Engineering and Electroplating
	8. Muzaffarpur	.. Do.
4. Gujarat	.. 9. Jamnagar	.. Electroplating, Foundry and Sand Testing
	*10. Savarkundla	.. Blacksmithy and Flame Cutting.
	11. Nadiad ..	.. General Engineering and Carpentry.
	*12. Bhavanagar	.. General Engineering.
	13. Surat ..	.. General Engineering, Foundry and Sand Testing.
5. Kerala	.. 14. Shoranpur	.. General Engineering.
	15. Trichur ..	.. Footwear & Leather Goods.
	††16. Tiruvalla ..	.. Production Centre for Electric Motors.
	††17. Ettamanur	.. Production Centre for Machine and Hand Tools.
	†18. *Kallai ..	.. Wood Seasoning.
	19. Attingal ..	.. Stainless Steel Utensils.
	20. Alleppy ..	.. General Engineering.
	†21. Muvattupuzha	.. Tin Can making and Tin Printing.
6. Madhya Pradesh	22. Jabalpur ..	.. General Engineering & Electroplating.
	23. Ujjain ..	.. General Engineering
	24. Gwalior ..	.. General Engineering.
7. Madras	.. 25. Erode ..	.. Leather finishing.
	26. Coimbatore	.. Foundry.
	27. Madurai ..	.. Engineering and Blacksmithy.
	28. Pondicherry	.. General Engineering
	§29. Madras ..	.. Training and Footwear manufacture.

*Proposed to be transferred to State Govts.

†Production Centres.

†Under transfer to State Government.

§Training Centres.

APPENDIX IV—contd.

(1)	(2)	(3)
8. Maharashtra ..	*30. Perundurai 31. Kolhapur †32. Amravati .. 33. Poona .. *34. Varud ..	.. Carpentry and Smithy. .. General Engineering, Foundry and Sand Testing. .. Sheet Metal. .. Electroplating and General Engineering. .. Carpentry and Oil Engine Repair.
9. Mysore ..	35. Mysore .. 36. Belgaum ..	.. General Engineering. .. Do.
10. Nagaland ..	37. Dimapur ..	.. General Engineering.
11. Orissa ..	38. Jharsuguda ..	.. General Engineering and Wood Working.
12. Punjab ..	39. Ambala .. ‡40. Batala .. 41. Rewari .. *42. Kaithal .. ‡43. Jullundur .. ‡44. Jagadhari ..	.. Tool Room. .. General Engineering. .. Footwear, Non-ferrous Foundry & Electroplating. .. Blacksmithy and Carpentry. .. Sports Goods (Testing Facilities). .. Metal Testing Laboratory.
13. Rajasthan ..	45. Jodhpur .. 46. Kotah .. 47. Udaipur ..	.. Footwear and General Engineering. .. General Engineering. .. General Engineering & Electroplating.
14. Uttar Pradesh ..	48. Ferozabad .. 49. Meerut .. 50. Aligarh .. 51. Varanasi .. ‡52. Central Footwear Training Centre, Agra. §53. Precision Shoe Last Factory, Agra.	.. Glass Testing Facilities .. Training and other facilities regarding Sports Goods. .. Tool Room and General Engineering. .. General Engineering. .. Training in Manufacture of footwear. .. Manufacture of Shoe Lasts.
15. West Bengal ..	‡54. Baruipur .. 55. Habra .. 56. Manicktala .. 57. Tangra .. ‡58. Malda .. 59. Kalyani .. 60. Nawadwip .. 61. Bon-Hooghly .. ‡62. Bankura ..	.. Carpentry .. Smithy and Heat Treatment. .. Footwear and Leather Goods. .. Leather Finishing. .. Smithy & Carpentry. .. Tool Room and General Engineering. .. Brass and Bell Metal. .. Ceramics. .. Blacksmithy and Carpentry.
16. Delhi ..	63. Balsahyog .. *64. Faridabad	.. Cane and Wooden Furniture, Sheet Metal Working, Tailoring. .. Carpentry and Blacksmithy.
17. Himachal Pradesh	65. Solan ..	.. Training in Thermometer Manufacture and Scientific Glass Blowing.

*Transferred to State Government.

†Under transfer to State Govt.

‡Proposed to be transferred to State Governments.

§Production Centres.

‡Training Centres.

APPENDIX V

Trade-wise Distribution of Technical Posts in DCSSIO (including Small Industries Service Institutes and Extension Centres)

Trades	Dir. (Gr. I)	Dir. (Gr.II)	Deputy Dir.	Asst. Dir. (Gr. I)	Asst. Dir. (Gr. II)	Junior Field Officers	Investi- gators
A. Technical Services—							
I. Engineering	6	5	..	..	..	..	..
(a) Mechanical.. ..	..	..	21	41	19+2*	89	59
(b) Electrical	..	..	4	3	4+2*	16	8
(c) Metallurgical	..	..	8	12	15+3*	16	4
(d) Hosiery	..	..	1	..	..	2	3
(e) Civil Engg.	..	..	1	..	..	2	..
II. Non Engineering (Technical)							
(a) Chemical	2	4	..	..	..	..	..
(b) Leather Footwear	..	..	9	13	6	18	7
(c) Glass Ceramic	..	..	7	22	4	25	9
(d) Lens Grinding	..	..	3	9	1	15	12
(e) Metal Finishing	..	..	..	1	..	..	..
(f) Metal Finishing	..	..	1	1	2	5	6
(g) Fruit Preservation	..	..	..	2	1	..	..
(g) Cane & Bamboo	..	..	..	..	..	1	..
(h) Tailoring & Art	..	..	..	..	..	1	1 (Art)
B. Special Services—							
III. Economic Investigation & Statistics							
1 (IES)	..	..	..	..	..	..	..
(a) Economic	..	..	9(IES)	1(IES)	4+1*	83	26
(b) Statistics	6	..	1(ISS)	1(ISS)	..	..	..
IV. Indust. Management & Training							
1	..	..	6	22	5	39	..
V. Industrial Design							
2	..	..	7	..	..	39	..
Grand Total							
10	11	78	140	51+8*	312	134	

*In lieu of posts of AD (Gr. I).

APPENDIX VII

Comparative Staffing Pattern of D.G.T.D. and the Headquarters office of D.C. (SSI).

DCSSIO (Headquarters)		D.G.T.D.	
Designation & Scale of Pay	No. of posts	Designation & Scale of Pay	No. of posts
Development Commissioner (SSI) Rs. 2000—125—2250.	1	Director General Technical Development Rs. 3000.	1
Joint Development Commissioner Rs. 1100—1800.	1	Dy. Director General Tech. Development Rs. 2500.	1
Director (Grade I) Rs. 1100—1800 ..	6	Senior Industrial Adviser Rs. 2000-2250.	2
Director (Grade II) Rs. 1100—1400	1	Industrial Adviser Rs. 1800—2000	11
Deputy Director Rs. 700—1250 ..	19	Development Officer Rs. 700—1600	71
Assistant Director (Gr. I) Rs. 400—900	11	Assistant Development Officer Rs. 400—950.	68
Junior Field Officer Rs. 325—575 ..	31	Junior Technical Officer Rs. 325-575	68
Investigator Rs. 210—425 ..	6		

सत्यमेव जयते

APPENDIX VII

State-wise position regarding Loans sanctioned and disbursed by State Financial Corporations.

(Rs. in lakhs)

	As on 31-3-1961			As on 31-3-62			As on 31-3-63		
	No. of applica- tions sanctioned	Amount sanc- tioned	Amount disbursed	No. of applica- tions sanctioned	Amount sanc- tioned	Amount disbursed	No. of applica- tions sanctioned	Amount sanc- tioned	Amount disbursed
1. Andhra Pradesh ..	146	70.77	35.70	234	131.00	57.20	189	108.12	72.42
2. Assam ..	53	61.37	40.29	172	78.12	64.85	103	118.28	82.59
3. Bihar ..	46	56.07	41.36	56	67.04	50.64	67	77.70	61.64
4. Gujarat ..	3	2.90	..	32	22.46	9.22	55	36.26	20.45
5. Kerala ..	81	57.52	52.17	82	57.95	52.80	82	59.23	53.55
6. J. & K. ..	4	3.51	2.21	14	9.56	6.61	28	15.81	8.36
7. Madhya Pradesh ..	38	32.53	6.43	89	72.94	23.55	132	122.37	44.78
8. Madras ..	16	18.65	14.15	19	23.05	18.27	29	38.61	32.83
9. Maharashtra ..	137	108.41	63.49	477	184.62	108.00	365	213.16	146.38
10. Mysore ..	27	23.52	10.08	68	49.55	32.84	98	72.62	56.59
11. Orissa ..	40	26.96	5.27	52	46.73	22.54	77	63.06	35.17
12. Punjab ..	158	168.66	71.27	179	229.54	89.10	176	216.49	101.25
13. Rajasthan ..	29	21.85	13.30	35	31.28	15.78	37	31.32	21.94
14. U.P. ..	51	47.18	20.96	53	50.23	39.04	66	71.20	49.56
15. West Bengal ..	16	25.57	20.28	26	38.19	17.12	37	63.67	32.88
Total ..	845	724.87	411.96]	1288	1092.26	607.65	1541	1368.40	820.89

APPENDIX VIII—contd.

State-wise position regarding Loans sanctioned and disbursed by State Financial Corporations—contd.

(Rs. in lakhs)

	As on 31-3-64			As on 31-3-65			As on 31-3-66			As on 31-3-67		
	No. of applica- tions sanctioned	Amount sanc- tioned	Amount disbursed	No. of applica- tions received	Amount sanc- tioned	Amount disbursed	No. of applica- tions sanctioned	Amount sanc- tioned	Amount disbursed	No. of applica- tions received	Amount sanc- tioned	Amount disbursed
1. Andhra Pradesh	194	106.61	84.41	197	110.00	93.66	220	143.29	109.42	242	163.57	133.22
2. Assam	130	156.64	102.50	137	162.97	133.36	146	185.47	146.73	160	189.81	155.46
3. Bihar	73	91.17	69.00	78	96.85	77.21	88	104.52	90.68	102	121.78	101.27
4. Gujarat	61	39.89	27.46	87	55.39	37.10	117	77.56	61.89	160	123.08	88.02
5. Kerala	88	66.43	61.35	90	70.84	64.99	93	85.54	74.07	96	88.12	80.80
6. J. & K.	38	21.86	9.64	45	25.97	18.27	136	63.25	43.07	253	110.31	88.79
7. Madhya Pradesh	136	120.60	63.75	115	101.46	76.95	133	110.89	81.55	178	155.91	104.93
8. Madras	30	37.40	34.89	38	57.35	46.31	33	48.01	39.89	34	51.83	46.42
9. Maharashtra	505	281.68	199.39	676	392.39	272.95	805	471.42	355.61	940	588.51	428.22
10. Mysore	124	85.66	75.28	162	106.92	93.86	208	125.51	112.99	238	145.92	131.63
11. Orissa	109	74.37	57.01	122	76.25	63.70	137	83.97	71.98	177	117.73	86.12
12. Punjab	254	307.17	71.79	260	280.89	213.53	271	276.53	232.48	292	367.17	260.68
13. Rajasthan	45	37.37	26.34	59	46.45	29.54	72	62.17	39.79	82	71.54	48.04
14. U.P.	74	81.93	65.97	90	113.31	79.57	89	112.64	92.68	94	120.41	96.63
15. West Bengal	42	79.81	54.83	52	83.86	52.57	58	82.52	46.52	78	120.58	79.67
Total	1905	1588.59	1103.61	2208	1780.81	1353.57	2606	2033.29	1599.32	3126	2530.27	1929.90

APPENDIX IX

GOVERNMENT OF INDIA

MINISTRY OF WORKS, HOUSING AND SUPPLY

No. Pur-4(9)/56-Vol. II.

New Delhi, dated the 21-11-1956

OFFICE MEMORANDUM

SUBJECT:—*Procedure for purchase of stores from Small Scale Industries.*

The Government of India have had under consideration the procedure to be prescribed for the purpose of assisting Small Scale industries to participate more fully in Government purchases. As one of the means to bring this about it is the policy of Government that preference will be given, consistent with the requirements of quality and timely supplies in order to ensure that the potential capacity of existing as well as newly formed Small Industrial Enterprises are utilised and supported to the fullest extent. To achieve the objective, it has been decided to adopt the following procedure:—

(1) All items of Government purchases should be divided into the following four groups:—

(i) *Group I*—Items which can be purchased only from large scale units.

(ii) *Group II*—Items which can be purchased only from large units, but where it is possible for the large units to sub-contract ancillaries and components to small scale units. It is neither practicable nor desirable to impose any contractual conditions on large scale industrial units that they should obtain such components from Small Scale Industries. The Small Industries Corporation and the Regional Small Scale Institutes will be prepared, however, to assist large scale units to find suitable small scale units to whom they may sub-contract lesser components and ancillary equipment for manufacture under their guidance to ensure the requisite quality, the responsibility for which will continue to rest on the Principal manufacturers on whom the contract is placed by the D.G.S. & D. When the contract is completed, it is Government's intention also to obtain reports from large scale manufacturers on the extent to which sub-contracting has been possible.

(iii) Items under this group will be arranged both through the large scale industries and small scale units. For this purpose, they will be divided into two sections. In the first section tenders will be invited from all parties and small industries may be accorded a suitable and reasonable price preferential upto maximum of 15% the actual quantum being decided in each case on merits, in consultation with Finance. In the second section, a portion of an indent would be reserved by the DGS&D in consultation with Small Industries Corporation, for the small scale industries and on the unreserved portion the normal procedure for tenders should be followed. In

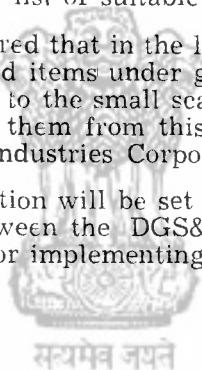
the reserved portion small industries nominated by the Small Industries Corporation will be eligible for a price preferential on the same terms as above. The prices to be fixed for the reserved portion in respect of the stores offered by the Small Industries Corporation nominee, will depend on the results of the tenders to be opened. The DGS&D should prepare a list for this group, in consultation with the Small Industries Corporation.

(iv) *Group IV*—Items under this group are to be entirely reserved for procurement from small industries. The purchases will be made by open tender system. The Directorate General of Supplies & Disposals should compile a list of such stores in consultation with the Small Industries Corporation.

2. Tender sets and specifications other than certain priced specifications such as I.S.I. and I.R.S. specifications, should be supplied free of charge to Small Scale units through the Small Industries Corporation without security deposit, and whenever in such cases the supplier fails to deliver the stores the Small Industries Corporation would remove the firm from their list of suitable firms.

3. Where it is considered that in the large interests, it is necessary that in respect of specified items under groups (iii) and (iv) the purchase should be confined to the small scale producers, the DGS & D. will arrange to purchase them from this sector in consultation with and through the Small Industries Corporation wherever possible.

4. A special Organisation will be set up for the purpose of effecting necessary liaison between the DGS&D and the National Small Industries Corporation, for implementing the above decisions.



Sd/- J. G. KUMARAMANGALAM

Under Secretary to the Govt. of India.

To

The DGS & D., New Delhi.

APPENDIX X

Items Exclusively Reserved for Small Scale Sector under Government Stores Purchase Programme.

1. Animal Driven Vehicles (Civil Requirements only).
2. Anklets Web Khaki.
3. All badges, cloth embroidered and metals.
4. Attache cases.
5. Bags Ice head (Civil requirements only).
6. Bandage cloth.
7. Basket cane.
8. Belt Leather.
9. Belt Leather & Stripe.
10. Blacksmith Hearth.
11. Boxes made of metal (Civil requirements only).
12. Boxing boots.
13. Boots and Shoes of all types (Civil requirements only).
14. Brass dampers.
15. Brass padlocks.
16. Brief cases.
17. Brooms.
18. Brushes.
19. Button Metal.
20. Cash Bags.
21. Caps Cotton.
22. Caps Woollen.
23. Caps Waterproof.
24. Ceiling roses upto 15 amps.
25. Centrifugal steel plate blowers.
26. Chappals and Sandals.
27. Coir fibre and Coir Yarn.
28. Coir mattress and matting.
29. Cotton hosiery (Civil requirements only).
30. Crates wooden.
31. Cumblies.
32. Curtains mosquito (Civil requirements only).
33. Distribution Boards upto 15 amps.
34. Dusters cotton all types except the items required in Khadi.



35. Dust Bins (Civil requirements only).
36. Dust Shield Leather.
37. Electric Call Bell.
38. Electric Buzzers.
39. Expanded metal.
40. Football Boots.
41. Garments (Civil requirements only).
42. Gauze Cloth.
43. Ghamellas (Civil requirements only).
44. G.I. Padlocks.
45. G.I. Buckets.
46. Glass ampoules.
47. Gauge surgical all types (Civil requirements only).
48. Hand drawn carts of all types (Civil requirements only).
49. Handles wooden and Bamboo.
50. Hair Passam Wool.
51. Hand gloves.
52. Hide and country leather of all types (Civil requirements only).
53. Hob Nails.
54. Invalid Wheeled Chairs.
55. Keys Wooden.
56. Kit Bags.
57. Kodali.
58. Kullahs.
59. Laces leather.
60. Lanterns posts and bodies.
61. Lathies.
62. Lamps signal.
63. Lampholders.
64. Leather bags.
65. Leather boxes (Not Army types).
66. Leather Harness.
67. Leather Washers.
68. Metalclad Switches.
69. Mail Bags (Canvas & Dossouti).

70. Mainhole Covers.
71. Metal Polish.
72. Metric Weights.
73. Nail tip heel rustless.
74. Paper conversion products
75. Patient coats & pyjamas.
76. Postal lead seals.
77. Plugs.
78. Postal weighing scales.
79. Rags cotton (Civil requirements only).
80. Railway platform drinking water trolleys (Civil requirements only).
81. Rubber Balloons.
82. Scissors cutting (ordinary scissors).
83. Shoe Laces.
84. Sign Boards painted.
85. Skin sheep all types (Civil requirements only).
86. Skiboots and shoes.
87. Sole leather (Civil requirements only).
88. Soap washing or laundry soap (Civil requirements only).
89. Sockets.
90. Spiked boots.
91. Steel desks.
92. Steel Racks.
93. Steel Stools.
94. Steel Trunks (Civil requirements only).
95. Stockinette (Civil requirements only).
96. Stone curry and stone curry roller.
97. Suitcases.
98. Tape cotton (Civil requirements only).
99. Tarpaulins (Civil requirements only).
100. Teak fabricated round blocks.
101. Tentage jute.
102. Tins Trays.
103. Umbrellas.
104. Utensils Cooking (except stainless steel utensils and vessel pressure cookers) (Civil requirements only).
105. Wooden Plugs.
106. Wheel Barrows.
107. Wicks cotton (Civil requirements only).
108. Wooden Packing Cases of all sizes (Civil requirements only).
109. Woollen hosiery (Civil requirements only).
- 110 Shellac.

APPENDIX XI

Organisations and Agencies who assisted the Group with their views and suggestions.

Chambers

1. Andhra Chamber of Commerce, Madras.
2. Assam Chamber of Commerce & Industry, Shillong.
3. Associated Chamber of Commerce & Industry, Calcutta.
4. Bengal Chamber of Commerce & Industry, Calcutta.
5. Bihar Chamber of Commerce, Patna.
6. Bombay Chamber of Commerce & Industry, Bombay.
7. Central Gujarat Chamber of Commerce, Baroda.
8. Central India Chamber of Commerce & Industry, Ujjain.
9. Chamber of Commerce, Trivandrum.
10. Chamber of Commerce & Industry, Cochin.
11. Federation of Andhra Pradesh Chambers of Commerce & Industry, Secundrabad.
12. Federation of India Chambers of Commerce & Industry, New Delhi.
13. Gujarat Chamber of Commerce, Ahmedabad.
14. Madhya Pradesh Chamber of Commerce & Industry, Laskar. Gwalior.
15. Madras Chamber of Small Industries, Madras.
16. Mahavidarbha Chamber of Commerce & Industry, Nagpur.
17. Mysore Chamber of Commerce, Bangalore.
18. Northern India Chamber of Commerce & Industry, Chandigarh..
19. Orissa Chamber of Commerce & Industry, Cuttack.
20. Punjab Federation of Industry & Commerce, Amritsar.
21. Rajasthan Chamber of Commerce & Industry, Jaipur.
22. U.P. Chamber of Commerce, Kanpur.

Associations

23. Ahmedabad Industrial Estate Factory Owners Association Ltd., Ahmedabad.
24. All India Manufacturers' Organisation, Bombay.
25. All Mysore Small Scale Industries Association, Bangalore.
26. Andhra Pradesh Small Scale Industries Association, Vijayawada.
27. Association of Indian Industries, Bombay.

Associations—contd.

28. Association of Indian Trade & Industry, Bombay.
29. Bangalore Industrial Estate Mfs. Association, Bangalore.
30. Batala Industrial Estate Factories Association, Batala.
31. Bihar State Federation of Small Scale Industries, Patna.
32. **Bombay** Small Scale Industries Association, Bombay.
33. Federation of Associations of Small Industries of India, New Delhi.
34. Federation of Associations of Small Industries of Rajasthan, Jaipur.
35. Federation of Indian Manufacturers', Delhi.
36. Federation of Small & Medium Industries, West Bengal, Calcutta.
37. Goa Small Scale Industries Association, Margao.
38. Howrah Manufacturers' Association, Howrah.
39. Indian Banks' Association, Bombay.
40. Industrial Estate Association, Ludhiana.
41. Industrial Estate Industries Association, Patna.
42. Industrial Estate Mfrs.' Association, Sanatnagar, Hyderabad.
43. Industrial Estate Mfrs.' Association, Gwalior.
44. Industrial Estate Mfrs.' Association, U.P., Kanpur.
45. Industries Association of Chandigarh, Chandigarh.
46. Kashmir Small Scale Industrialists Association, Srinagar.
47. Kerala State Small Scale Industries Association, Ernakulam.
48. Kerala State Small Industries Association, Cochin.
49. M.P. Small Scale Industries, Organisation, Bhopal.
50. Madras State Small Industries Association, Madras.
51. Madras State Industrial Estate Association, Madras.
52. Okhla Industrial Estate Association, New Delhi.
53. Orissa Small Scale Industries Association, Cuttack.
54. Small Industries Management Association, Madras.
55. Small Scale Industries Association, Jullundur.
56. Small Scale Industries Association, Jagadhri.
57. U.P. Small Scale Industries Association, Kanpur.
58. Udyognagar Industries Association, Rajkot.
59. Vidarbha Industries Association, Nagpur.

Others

60. Adviser on Industries Service and Technology, of U.N. (for African Countries)
61. Andhra Light Industries, Sanatnagar.
62. Champion Industries, Hyderabad.
63. Chitranjan Locomotive Works, Chitranjan.
64. Electric Transformer and Equipment Co., Sanatnagar.
65. Electronic & Industrial Instrumens Co. (P) Ltd., Sanatnagar.
66. Ford Foundation, New Delhi.
67. Harvin Opticals, Sanatnagar.
68. Indian Institute of Foreign Trade, New Delhi.
69. Indian Institute of Public Administration, New Delhi.
70. Indian Investment Centre, New Delhi.
71. Indian Standards Institution, New Delhi.
72. Industrial Finance Corporation of India, New Delhi.
73. Integral Coach Factory, Madras.
74. Institute of Economic Growth, New Delhi.
75. Instrument Technique Laboratory, Hyderabad.
76. Dr. K.P. Keranth Forna, Chemical Industry, Sanatnagar.
77. Liberty Industries, Sanatnagar.
78. Mac Mans (P) Ltd., Vijayawada.
79. National Cooperative Union of India, New Delhi.
80. National Cooperative Development Corporation, New Delhi.
81. National Council of Applied Economic Research, New Delhi.
82. National Industrial Development Corporation, New Delhi.
83. Neetha Industries, Hyderabad.
84. Oxygen Equipment & Engineering Company, Sanatnagar.
85. Packaging Corporation, Sanatnagar.
86. Radio Instruments Associates, Hyderabad.
87. Switchgear Manufacture Co. Sanatnagar.
88. U Foam (P) Ltd., Sanatnagar.
89. Utility Metal Works. Sanatnagar.
90. Wipers India, Sanatnagar.

Government Departments

91. Chief Controller of Imports & Exports—Office of the, New Delhi.
92. Commissioner (Industrial Cooperatives), Ministry of ID & CA, New Delhi—Office of the.

Government Departments—contd.

93. Department of Defence Production, Ministry of Defence, New Delhi.
94. Development Commissioner (Small Scale Industries)—Office of the, New Delhi.
95. Directorate General of Supplies and Disposals, New Delhi.
96. Directorate General of Technical Development, New Delhi.
97. Economic Adviser—Office of the, Ministry of ID & CA, New Delhi.
98. Iron & Steel Controller—Office of the, Calcutta.
99. Ministry of Industrial Development & Company Affairs, New Delhi.
100. National Small Industries Corporation, New Delhi.
101. Planning Commission, New Delhi.
102. Railway Board, New Delhi.
103. Regional Railway Equipment Advisory Committees, New Delhi, Calcutta, Madras and Bombay.
104. Reserve Bank of India, Bombay.
105. Small Industries Extension Training Institute, Hyderabad.
106. State Bank of India, Bombay.
107. State Directorates of Industries.
108. State Financial Corporations.
109. State Small Industries Corporations.
110. State Electricity Boards.

सत्यमेव जयते

E R R A T A

- (1) Page 11, Line 1 *add* para No. "2.25" before the word "It".
- (2) Page 30, Para 4.30, line 8, *for* "fleged" *read* "fledged".
- (3) Page 53, Para 5.50, line 1, *for* the words "perhaps the Council" *read* "perhaps more than the Council"
- (4) Page 69, Para 6.46, last two lines, *for* "5 percent and 3 percent" *read* "7.0 percent and 7.6 percent."
- (5) Pages 105 to 130 Serial Nos. 27, 28, 29, 30, 31, 32, 33, 36, 37, 50, 51, 91 and 111 in line 1 *for* "4.30, 4.31, 4.32, 4.33, 4.34, 4.35, 4.36, 4.39, 4.40, 4.56, 4.48, 67 and 6.105" *read* "4.28, 4.29, 4.30, 4.31, 4.32, 4.33, 4.34, 4.37, 4.39, 4.57, 4.58, 6.67 and 6.108" respectively.

